Cloetta

Interim report Q1, January – March 2012

Stockholm, 16 May 2012

- **Net sales** for the first quarter amounted to SEK 1,084m (1,043). **Operating profit** was SEK 6m (77).
- **Underlying net sales** growth for the Group was –1.8 per cent. The decrease is mainly due to weak market conditions.
- **Items affecting comparability** amounted to SEK –53m (–9). They were mainly related to a non-cash cost connected to the divestment of the distribution business in Belgium and to costs arising from a factory closure in Denmark.
- **Cash flow from operating activities** amounted to SEK 117m (140) despite a substantial decrease in operating profit.
- **Underlying EBITA**, excluding items affecting comparability and changes in exchange rates, amounted to SEK 50m (74). The decrease is mainly due to higher raw material costs that have not yet been fully compensated by price increases.
- **The merger between Cloetta and LEAF** was successfully completed on 16 February 2012. The integration process is proceeding according to plan.
- **In April the rights issue** was fully subscribed and the vendor loan note was repaid.

	First Quarter			
SEKm	Jan–Mar 2012[3]	Jan–Mar 2011	Change, %	Full year 2011
Net sales	1,084	1,043	3.9	4,658
Underlying net sales[1]	1,196	1,219	–1.8	5,242
EBITA	7	78	–91.5	373
EBITA margin, %	0.6	7.5	–6.9 %-pts	8.0
Underlying EBITA[1]	50	74	–32.3	548
Underlying EBITA margin, %[1]	4.2	6.0	–1.8%-pts	10.5
Operating profit	6	77	–92.9	364
Profit before tax	–112	–84	31.4	–238
Profit for the period	–119	–112	5.8	–66
Earnings per share, basic and diluted, SEK	–0.57	–0.49	na[2]	–0.29
Cash flow from operating activities	117	140	–16.3	492

1 Based on constant exchange rates and the current structure (excluding distribution business in Belgium and a third party distribution in Italy) and excluding items affecting comparability. Includes former Cloetta's financial history for better comparability.
2 Comparative earnings per share are not representative for the current Group due to a different equity structure before the merger between Cloetta and LEAF.
3 Former Cloetta was acquired on 16 February 2012.

Message from the CEO

The first quarter of the year was both rewarding and challenging. Rewarding since the merger between Cloetta and LEAF was successfully completed, and challenging mainly due to the soft market conditions and continued higher raw material costs.

In the past six months, our primary focus has been on completing the merger between Cloetta and LEAF and planning for the new joint company. In addition, we executed a rights issue as part of the merger and announced a proposal for a supply chain restructuring programme. These activities have been very time-consuming and demanded significant management attention. Having completed the transaction, the organisation can once again focus entirely on driving the business and realising synergies made possible by the merger.

We have now initiated a process to integrate the two companies in order to realise synergies, primarily in Sweden. This work is proceeding according to plan and I am convinced that the merger will create a stronger and more competitive company. The first positive effects of the integration should be visible on the EBITA level at the end of the year.

On 8 March 2012 we announced a proposal to close three factories in Sweden and Finland. The key driver for this is the existing overcapacity currently found in the Group's production structure. Given that we are active in a highly competitive and mature market, we must constantly strive for improved cost-effectiveness.

In total, the communicated synergies from the merger and savings from the proposed factory closures will generate cost savings of SEK 210m. The integration and restructuring plans are proceeding according to plan. This also means that the merger and the rationalisation of our production structure will be a top priority.

The overall market conditions remained soft in almost all of our key markets. However, the market for chocolate products in Sweden grew somewhat during the quarter, and the confectionary market in Finland improved as it recovered from last year's introduction of the confectionary tax.

The somewhat weaker market development impacted our sales performance. Underlying net sales fell by 1.8 per cent, while reported net sales increased by 3.9 per cent, attributable to the reverse acquisition of Cloetta. Our reported sales performance was affected by the divestment of our distribution business in Belgium and the termination of a third-party brand distribution agreement in Italy. The divestment of our distribution business in Belgium is in line with our strategy to focus on our core business. The new owners of the distribution company will continue to sell our brands in Belgium.

We have been able to implement price increases during the quarter to offset higher raw material costs, but not all have reached full effect yet. This, in combination with lower underlying net sales, led to a drop in underlying EBITA by 32.3%. In all essential aspects, our results for the quarter are in line with expectations. In addition, reported operating profit declined as a result of several non-recurring costs that are mainly related to the divestment of the distribution business in Belgium and costs connected to the factory closure in Denmark.

Regardless of how the market conditions will develop, we have an ambitious synergy and restructuring plan that will create value for the shareholders going forward. And with the merger between Cloetta and LEAF completed, we can once again solely focus on driving the business.

Bengt Baron, CEO

Financial overview

THE FINANCIAL YEAR

The Annual General Meeting on 19 December 2011 approved an amendment to the Articles of Association regarding the Parent Company's financial year. The Articles of Association have been changed so that the company's financial year covers the period from 1 January to 31 December, i.e. the calendar year, instead of the period from 1 September to 31 August. This will result in an extended financial year covering the period from 1 September 2011 to 31 December 2012.

This interim report includes the consolidated financial statements for the new Cloetta Group covering the period from 1 January to 31 December 2012. Since Cloetta's acquisition of LEAF is regarded as a reverse acquisition, the consolidated comparable figures will be those from LEAF Holland B.V. The period for the Parent Company included in this interim report is 1 September 2011 to 31 March 2012 in accordance with the Parent Company's financial year.

ACQUISITIONS AND DIVESTMENTS

On 16 February 2012, Cloetta AB acquired LEAF Holland B.V. from Yllop Holding S.A. (formerly named LEAF Holding S.A.). The acquisition was carried out partly through a cash payment (SEK 100m) and partly through the issue of a vendor loan note (SEK 1,400m), as well as an issue in kind of Cloetta shares (SEK 2,556m). The acquisition has been accounted for as a reverse acquisition for consolidation purposes, where LEAF Holland B.V. is the accounting acquirer and Cloetta AB is the legal acquirer. The acquisition was completed on 16 February 2012.

The purchase price allocation regarding the acquisition of Cloetta is planned to be finalised during 2012. The purchase price allocation adjustments made in inventory value were partly expensed in the first quarter and amounted to SEK 5m.

On 22 February 2012, Cloetta announced the sale of its distribution business in Belgium to Katjes International GmbH & Co. KG in Germany. The transaction was part of Cloetta's strategy to focus on its core brands. In 2011, the distribution organisation in Belgium had approximately 50 employees and sales of approximately SEK 200m, of which approximately SEK 40m refers to Cloetta-owned brands. The transaction will have a limited effect on Cloetta's future operating profit, and the purchase price was insignificant compared to the market value of Cloetta. The divestment generated a non-cash cost. For further information, see the section "Items affecting comparability" on pages 3 and 6.

FIRST QUARTER DEVELOPMENT

Net sales

Net sales for the first quarter rose by SEK 41m to SEK 1,084m (1,043) compared to the same quarter of last year. The increase in sales is attributable to Cloetta after the acquisition.

During the quarter the distribution business in Belgium was divested and as of 1 January 2012 a distribution agreement for a third-party brand in Italy was terminated, resulting in an expected decrease in sales in these two markets. Sales in Finland recovered after the introduction of the confectionary tax last year.

Adjusted for the divestment of the distribution business in Belgium and terminated distribution of the third-party brand in Italy, net sales decreased by 1.8 per cent.

Changes in net sales, %	**Jan–Mar 2012**
Changes in exchange rates	0.0
Divestments/terminations	–3.2
Reverse acquisition, Cloetta	7.9
Changes in underlying performance, LEAF	–0.8
Total	**3.9**
Underlying Cloetta consolidated	**–1.8**

Gross profit

Gross profit amounted to SEK 386m (415), equal to a gross margin of 35.5 per cent (39.7). Gross margin was diluted by the inclusion of Cloetta and LEAF and higher restructuring costs than in the prior year. Underlying gross profit was down mainly due to higher raw material costs.

Operating profit

Operating profit decreased to SEK 6m (77). This was mainly caused by several items affecting comparability, but higher raw material costs also had an impact on operating profit. Excluding items affecting comparability and changes in exchange rates, operating profit was down by 31.7 per cent.

Underlying EBITA

Underlying EBITA, excluding the divestment of the distribution business in Belgium, factory closure in Denmark and the inclusion of former Cloetta, amounted to SEK 50m (74). The decrease is mainly related to higher raw material costs, but to some extent also lower net sales.

SEKm	**Jan–Mar 2012**
EBITA – reported	**7**
Non cash cost divestment Belgium	32
Factory closure Denmark	14
Other items affecting comparability	7
Former Cloetta prior to merger	–9
Exchange rate differences	–1
Underlying EBITA	**50**

Items affecting comparability

Operating profit for the first quarter includes items affecting comparability of SEK –53m (–9). These include non-recurring items in the first quarter of 2012 that consist mainly of the non-cash capital loss of SEK 32m on the sale of distribution operations in Belgium and costs of SEK 14m arising from a factory closure in Denmark.

Net sales by segment

	First Quarter				
SEKm	**Jan–Mar 2012**	**Jan–Mar 2011**	**Reported change, %**	**Underlying change, %**	**Full Year 2011**
Former LEAF	1,002	1,043	–4.0	–0.8	4,658
Former Cloetta	82	–	–	–5.9	–
Total Group	**1,084**	**1,043**	**3.9**	**–1.8**	**4,658**

Net financial items

Net financial items improved to SEK –118m (–161). The improvement is mainly a result of lower interest expenses on loans from former shareholders in LEAF compared to the previous year, as these loans were converted into equity on 15 February 2012. Total interest expenses on the loans from former shareholders in LEAF amounted SEK 56m (130). The impact of the lower interest expenses has been partly offset by higher amortised financing costs due to the new credit facility agreement that is effective as of 26 April 2012. Through the new credit facility agreement, the former capitalised financing cost should be amortised in full in the Group by 26 April 2012. Total amortisation of financing costs amounted to SEK 25m (4). Both the interest on the shareholder loans and the amortisation of the financing costs are non-cash items. The other net financial items are in line with the previous year.

Profit for the period

Profit for the first quarter was SEK –119m (–112), equal to basic and diluted earnings per share of SEK –0.57 (–0.49). Income tax expense for the first quarter amounted to SEK –7m (–28).

CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

SEKm	Jan–Mar 2012	Jan–Mar 2011	Jan–Dec 2011
Cash flow from operating activities before changes in working capital	–15	50	374
Cash flow from changes in working capital	132	90	119
Cash flow from operating activities	**117**	**140**	**493**
Cash flow from net investments in property, plant and equipment and intangible assets	–43	–45	–224
Other cash flow from investing activities	118	–12	0
Cash flow from investing activities	**75**	**–57**	**–224**
Cash flow from operating and investing activities	**192**	**83**	**269**

Cash flow

Cash flow from operating activities for the first quarter totalled SEK 117m (140). The decrease in cash flow from operating activities is mainly due to a lower operating profit compared to the previous year.

Cash flow from operating and investing activities for the first quarter amounted to SEK 192m (83).

Working capital

The effect of the lower operating profit has partly been offset by an improved cash flow from changes in working capital. This is primarily due to the previous year's build-up of inventories in connection with the transfer of production mainly from Denmark to Slovakia.

Investments

Cash flow from investing activities was SEK 75m (–57). The increase in cash flow from investing activities is mainly attributable to the acquisition of former Cloetta. The cash impact of the acquisition amounted to SEK 170m.

FINANCIAL POSITION

Consolidated equity at 31 March 2012 amounted to SEK 2,444m (–1,231), which is equal to SEK 12.9 (–5.4) per share.

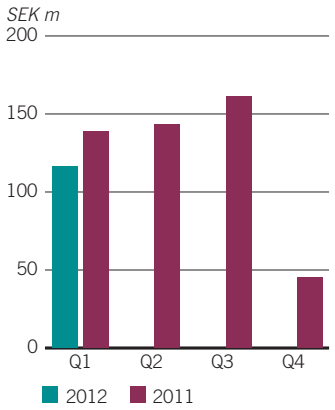
Net debt at 31 March 2012 amounted to SEK 4,217m (2,846). The increase in net debt is mainly due to the vendor loan note related to the acquisition of Cloetta, which amounted to SEK 1,409m (including accrued interest).

Long-term borrowings totalled SEK 2,162m (6,820) and consisted mainly of SEK 2,154m (2,500) in loans from credit institutions and SEK 0m (4,319) in loans from former shareholders, excluding the vendor note loan. SEK 270m of the bank loans will mature during the remainder of 2012. The loans from former shareholders have been excluded from the net debt calculation.

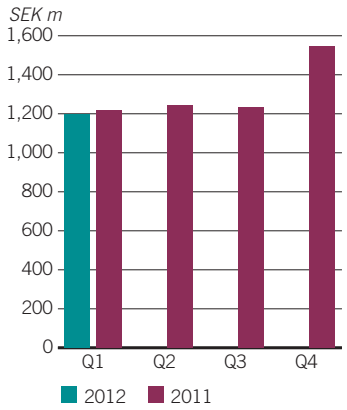
In addition to the above financing, Cloetta has unutilised overdraft facilities for a total of SEK 50m (387). Cash and cash equivalents at 31 March 2012, excluding unutilised overdraft facilities, amounted to SEK 295m (215).

SEKm	31 Mar 2012	31 Mar 2011	31 Dec 2011
Third-party borrowings	4,512	3,061	2,924
Cash and cash equivalents	295	215	97
Net debt	**4,217**	**2,846**	**2,827**

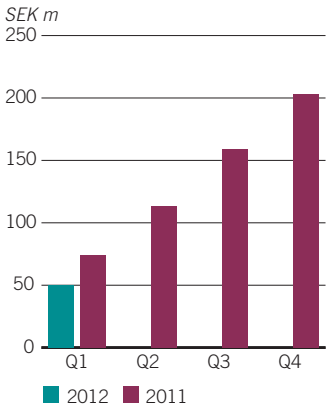
CASH FLOW FROM OPERATING ACTIVITIES



UNDERLYING NET SALES



UNDERLYING EBITA



OTHER DISCLOSURES

Restructuring

The closure of the factory in Slagelse, Denmark, and transfer of production to Levice, Slovakia, as announced in November 2010, was finalised in January 2012. The remaining savings of SEK 45m, as previously communicated, will be gradually realised during the year.

On 8 March 2012 Cloetta announced its intention to close the factories in Aura, Finland, and in Gävle and Alingsås, Sweden, and to move the bulk of the production to Ljungsbro, Sweden, and Levice, Slovakia. The proposal would give rise to a non-recurring cost of SEK 320–370m and generate annual savings of approximately SEK 100m at the EBITDA level. As no decisions on the closure of the factories were made during the quarter, no costs were incurred during the quarter.

Seasonal variations

Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are somewhat affected by Easter, depending on in which quarter it occurs. In the fourth quarter, the seasonal variation is primarily related to the sale of products in Sweden and Italy ahead of Christmas.

Changes in the executive management

At 31 March 2012 the Group Management consisted of:

- Bengt Baron, CEO
- Danko Maras, CFO
- Jacqueline Hoogerbrugge, President Operations
- Lars Påhlson, President Scandinavia
- David Nuutinen, President Finland
- Ewald Frénay, President Middle
- Giorgio Boggero, President Italy (including Rest of the World)
- Edwin Kist, Senior Vice President Human Resources
- Jacob Broberg, Senior Vice President Corporate Communications and Investor Relations
- Erwin Segers, Chief Marketing Officer.

On 29 March 2012, Johnny Engman, former Director at NC Advisory, was appointed to the new position of Senior Vice President Business Development, as of 1 May 2012.

Employees

The average number of employees during the quarter was 2,518 (2,199). The increase is a result of the merger between Cloetta and LEAF. The average number of employees during the quarter was 410 (427) in former Cloetta and 2,108 (2,199) in former LEAF. The decrease is mainly related to the closure of the factory in Denmark.

Rights issue

On 7 March 2012, the Board of Directors exercised the authorisation granted by the Extraordinary General Meeting on 15 February 2012 to resolve on a rights issue of no more than 9,440,000 class A shares and 89,305,900 class B shares. The purpose of the rights issue was to use the proceeds of the issue for repayment of the vendor loan note that Cloetta issued to Yllop Holding S.A. as part of the purchase price for LEAF Holland B.V. The previous owners of LEAF Holland B.V. (Nordic Capital Fund V and funds managed by CVC Capital Partners) through Yllop Holding S.A., which held 165,186,924 class C shares following the issue in kind, were not entitled to subscription rights in the rights issue, but committed together with AB Malfors Promotor, to fully underwrite the rights issue without the charging of customary underwriting commission. Each existing A share and B share in Cloetta entitled the holder to one subscription right that granted the right to four new shares of the respective share class. The exercise price was SEK 10.79 per new share. As per 31 March 2012 the rights issue has provide Cloetta with SEK 35m before issue expenses.

On 13 April 2012 it was announced that Cloetta's rights issue had been fully subscribed. Approximately 99.6 per cent of the offered shares were subscribed for through the exercise of subscription rights.

The rights issue has provided Cloetta with proceeds of SEK 1,065m before issue expenses. As a result of the rights issue, Cloetta's share capital has been increased by SEK 493,729,500 to SEK 1,443,096,495, divided between 288,619,299 shares, of which 11,800,000 are of class A and 276,819,299 are of class B in April 2012.

Events after the balance sheet date

On 13 April 2012 it was announced that Cloetta's rights issue had been fully subscribed. For further details, see the section "Rights issue" on page 5.

On 26 April 2012, a new credit facility was drawn for an amount of SEK 750m minus the arrangement fee of SEK 72m. The additional credit facility was provided by Svenska Handelsbanken.

On 26 April 2012, the vendor loan note of SEK 1,400m including accrued interest of SEK 15m was fully repaid to Yllop Holding S.A. For further details, see the section "Financial position" on page 4.

On 15 May 2012 the Board decided to close the factories in Aura and Alingsås and outsource the warehouses in Malmö and Slagelse, which was announced 8 March 2012. For further details, see the section "Restructuring" on page 5.

After the end of the reporting period, no additional significant events have taken place that could affect the company's operations.

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

Stockholm, 16 May 2012

Cloetta AB (publ)

The Board

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

Financial statements (in summary)
Consolidated profit and loss account

SEKm	First Quarter Jan–Mar 2012	First Quarter Jan–Mar 2011	Rolling 12 Apr 2011–Mar 2012	Full Year 2011
Net sales	1,084	1,043	4,699	4,658
Cost of goods sold	–698	–628	–2,981	–2,911
Gross profit	**386**	**415**	**1,718**	**1,747**
Other operating income	0	0	1	1
Selling expenses	–222	–221	–916	–915
General and administrative expenses	–158	–117	–510	–469
Total operating expenses	**–380**	**–338**	**–1,426**	**–1,384**
Operating profit	**6**	**77**	**293**	**364**
Financial income	6	12	5	11
Financial expenses	–124	–173	–564	–613
Net financial items	**–118**	**–161**	**–559**	**–602**
Profit before tax	**–112**	**–84**	**–266**	**–238**
Income tax expense	–7	–28	193	172
Profit for the period	**–119**	**–112**	**–73**	**–66**
Profit for the period attributable to:				
Owners of the Parent Company	–119	–112	–73	–66
Earnings per share				
Basic and diluted[1]	–0.57	–0.49	–0.33	–0.29
Number of shares at end of period	189,873,399	226,849,529	189,873,399	226,849,529
Average numbers of shares	208,513,732	226,849,529	222,265,580	226,849,529

1 Comparative earnings per share are not representative for the current Group due to a completely different equity structure before the merger between Cloetta and LEAF.

Consolidated statement of comprehensive income

SEKm	First Quarter Jan–Mar 2012	First Quarter Jan–Mar 2011	Rolling 12 Apr 2011–Mar 2012	Full Year 2011
Profit for the period	–119	–112	–73	–66
Other comprehensive income:				
Currency translation differences	29	5	26	2
Total comprehensive income, net of tax	**–90**	**–107**	**–47**	**–64**
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	–90	–107	–47	–64

Items affecting comparability[1]

SEKm	First Quarter Jan–Mar 2012	First Quarter Jan–Mar 2011	Rolling 12 Apr 2011–Mar 2012	Full Year 2011
Supply chain restructuring and integration expenses	–10	–7	–174	–171
Other	–43[2]	–2	–79	–38
Total	**–53**	**–9**	**–253**	**–209**
1 *Corresponding line in the Consolidated profit and loss account:*				
Cost of goods sold	–15	–7	–175	–167
Selling expenses	–	–1	–13	–14
General and administrative expenses	–38	–1	–65	–28
	–53	**–9**	**–253**	**–209**

2 Includes a non-cash capital loss for the divestment of the distribution business in Belgium amounting to SEK 32m.

Consolidated balance sheet

SEKm	31 Mar 2012	31 Mar 2011	31 Dec 2011
Intangible assets	5,051	4,801	4,811
Property, plant and equipment	1,694	1,343	1,318
Deferred tax asset	415	200	441
Financial assets	90	254	261
Total non-current assets	**7,250**	**6,598**	**6,831**
Inventories	725	657	640
Current receivables	962	869	1,053
Cash and cash equivalents	295	215	97
Total current assets	**1,982**	**1,741**	**1,790**
Assets held for sale	41	–	15
Total assets	**9,273**	**8,339**	**8,636**
Equity	**2,444**	**–1,231**	**–366**
Long-term borrowings	2,162	6,820	6,077
Deferred tax liability	826	717	728
Derivative financial instruments	8	–	–
Other provisions	308	260	249
Total non-current liabilities	**3,304**	**7,797**	**7,054**
Short-term borrowings	2,352	623	747
Derivative financial instruments	12	–	–
Current liabilities	1,135	1,097	1,141
Provisions	26	53	60
Total current liabilities	**3,525**	**1,773**	**1,948**
Total equity and liabilities	**9,273**	**8,339**	**8,636**

Consolidated statement of changes in equity

	First Quarter		
SEKm	Jan–Mar 2012	Jan–Mar 2011	Full Year 2011
Equity at beginning of period	**–366**	**–1,124**	**–1,124**
Profit for the period	–119	–112	–66
Other comprehensive income	29	5	2
Total comprehensive income	**–90**	**–107**	**–64**
Transactions with the owners			
Capital contribution			
- Loan conversion	3,441	0	822
- Contingent capital contribution to cover tax exposure	81	0	0
Business combinations[1]	–667	0	0
Convertible debenture loan	10	0	0
Rights issue, ongoing	35	0	0
Total transactions with owners	**2,900**	**0**	**822**
Equity at end of period	**2,444**	**–1,231**	**–366**

1 The amounts reported in business combinations in Q1 2012 consist of:

- The assessed value of the acquired Cloetta company	833
- The issue in kind of class C shares (see changes in equity for the Parent Company)	2,556
- The hypothetical repurchase of shares (reverse acquisition)	–4,056
	–667

For further information, see the notes in the pro forma balance sheet as reported in the prospectus at www.cloetta.com

Consolidated cash flow statement

SEKm	First Quarter Jan–Mar 2012	Jan–Mar 2011	Full year 2011
Cash flow from operating activities before changes in working capital	–15	50	374
Cash flow from changes in working capital	132	90	119
Cash flow from operating activities	**117**	**140**	**493**
Cash flow from net investments in property, plant and equipment and intangible assets	–43	–45	–224
Other cash flow from investing activities	118	–12	0
Cash flow from investing activities	**75**	**–57**	**–224**
Cash flow from operating and investing activities	**192**	**83**	**269**
Cash flow from financing activities	**12**	**–89**	**–393**
Total cash flow for the period	**204**	**–6**	**–124**
Cash and cash equivalents at beginning of period	97	220	220
Total cash flow	204	–6	–124
Exchange gains/(losses) on cash and cash equivalents	–6	1	1
Cash and cash equivalents at end of period	**295**	**215**	**97**

Key figures

SEKm	First Quarter Jan–Mar 2012	Jan–Mar 2011	Full year 2011
Profit			
Net sales	1,084	1,043	4,658
Net sales, growth, %	3.9	na	na
Underlying net sales	1,196	1,219	5,242
Underlying net sales, growth, %	–1.8	na	na
Gross margin, %	35.5	39.7	37.5
Underlying EBITA	50	74	548
Underlying EBITA margin, %	4.2	6.0	10.5
Operating profit (EBIT)	6	77	364
Operating profit margin (EBIT margin), %	0.5	7.3	7.8
Profit margin, %	–10.4	–8.2	–5.1
Financial position			
Working capital	552	429	552
Operational working capital	1,073	967	1,035
Capital expenditure	43	45	224
Net debt	4,217	2,846	2,827
Capital employed	4,834	7,674	7,048
Return on capital employed, %	0.2	1.1	5.0
Equity/assets ratio, %	26.4	–14.8	–4.2
Return on equity, %	–10.0	na	na
Cash flow			
Cash flow from operating activities	117	140	493
Investments in non-current assets	75	–57	–224
Cash flow after investments	192	83	269
Cash conversion, %	497.1	54.6	19.7
Employees			
Average number of employees	2,518	2,199	2,192

Segment Information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker has been identified as the Group's Chief Executive Officer. The internal reporting consists of the former Cloetta Group and the former LEAF Group. The Group's reportable segments under IFRS 8 are therefore as follows:

- Cloetta
- LEAF

Consolidated segment reporting

SEKm	Q1 2012[1]	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Year to date 2012[1]	Full year 2011
Net sales							
External former LEAF	1,002	1,043	1,120	1,124	1,371	1,002	4,658
External former Cloetta	82	–	–	–	–	82	–
Total net sales[2]	**1,084**	**1,043**	**1,120**	**1,124**	**1,371**	**1,084**	**4,658**
Operating profit							
Former LEAF	19	77	70	129	88	19	364
Former Cloetta	–13	–	–	–	–	–13	–
Corporate adjustment	–	–	–	–	–	–	–
Total operating profit	**6**	**77**	**70**	**129**	**88**	**6**	**364**
Net financial items	**–118**	**–161**	**–161**	**–138**	**–142**	**–118**	**–602**
Profit before tax	**–112**	**–84**	**–91**	**–9**	**–54**	**–112**	**–238**

1 The former Cloetta was acquired on 16 February 2012. Net sales for former Cloetta for the period from 1 January to 31 March 2012 amounted to SEK 221m.
2 No inter-segment sales occurred during the reporting period.

Segment reporting, former Cloetta 2011

SEKm	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Full year 2011
Net sales					
External former Cloetta[1]	235	193	212	260	900
Total net sales[2]	**235**	**193**	**212**	**260**	**900**
Operating profit	**–7**	**–2**	**14**	**9**	**14**

1 The Cloetta figures have been restated to comply with LEAF's accounting policies.
2 No inter-segment sales occurred during the reporting period.

Quarterly data

SEKm	Q1 2012	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Profit and loss account					
Net sales	1,084	1,043	1,120	1,124	1,371
Cost of goods sold	–698	–628	–693	–679	–911
Gross profit	**386**	**415**	**427**	**445**	**460**
Other operating income	0	0	0	0	1
Selling expenses	–222	–221	–243	–203	–248
General and administrative expenses	–158	–117	–114	–113	–125
Operating profit	**6**	**77**	**70**	**129**	**88**
Financial income	2	3	2	3	3
Financial expenses	–124	–173	–153	–139	–135
Exchange differences borrowings and cash and cash equivalents in foreign currencies	4	9	–9	–2	–10
Net financial items	**–118**	**–161**	**–160**	**–138**	**–142**
Profit before tax	**–112**	**–84**	**–90**	**–9**	**–54**
Income tax expense	–7	–28	23	–4	181
Profit for the period	**–119**	**–112**	**–67**	**–13**	**127**
Profit for the period attributable to:					
Owners of the Parent Company	–119	–112	–67	–13	127
Underlying EBITA	50	74	113	159	202

Parent company

This interim report includes the financial statements for the Parent Company covering the period from 1 September 2011 to 31 March 2012 in accordance with the Parent Company's financial year.

Summary parent company profit and loss accounts

SEKm	Jan–Mar 2012	Jan–Mar 2011	Sep 2011–Mar 2012	Sep 2010–Mar 2011	Sep 2010–Aug 2011
Net sales	13	7	21	15	26
Costs for property management and sold services	0	0	0	0	–1
Gross profit	**13**	**7**	**21**	**15**	**25**
Administrative expenses	–21	–5	–30	–14	–24
Other operating income and expenses	–1	0	–1	0	5
Operating profit	**–9**	**2**	**–10**	**1**	**6**
Total result from financial investments	–13	–1	–13	–1	–1
Profit before tax	**–22**	**1**	**–23**	**0**	**5**
Appropriations	–	–	–	–	–2
Income tax expense	6	0	6	0	–1
Profit for the period	**–16**	**1**	**–17**	**0**	**2**

Summary parent company balance sheets

SEKm	31 Mar 2012	31 Mar 2011	31 Aug 2011
ASSETS			
Non-current assets			
Property, plant and equipment	4	4	4
Financial assets	4,628	541	546
Total non-current assets	**4,632**	**545**	**550**
Current assets	89	79	82
TOTAL ASSETS	**4,721**	**624**	**632**
EQUITY AND LIABILITIES			
Equity			
Restricted equity	966	121	122
Non-restricted equity	2,211	463	470
Total equity	**3,177**	**584**	**592**
Untaxed reserves	4	2	4
Non-current liabilities			
Total provisions	1	1	1
Convertible debenture loan	–	29	24
Total non-current liabilities	**1**	**30**	**25**
Current liabilities			
Current liabilities	1,539	8	11
Total current liabilities	1,539	8	11
TOTAL EQUITY AND LIABILITIES	**4,721**	**624**	**632**
Pledged assets	4,087	None	None
Contingent liabilities	3,168	78	84

Changes in equity, parent company

SEKm	Sep 2011–Mar 2012	Sep 2010–Mar 2011	Sep 2010–Mar 2011
Equity at beginning of period	**592**	**602**	**602**
Profit for the period	–17	0	2
Transactions with owners			
Dividend	–	–18	–18
Issue in kind of class C shares, acquisition of LEAF Holland B.V.	2,556	–	–
Convertible debenture loan	11	–	6
Rights issue, ongoing	35	–	–
Total transactions with owners	**2,602**	**–18**	**–12**
Equity at end of period	**3,177**	**584**	**592**

Disclosures, risk factors and accounting policies

DISCLOSURES REGARDING THE MERGER BETWEEN CLOETTA AB AND LEAF HOLLAND B.V.

On 16 February 2012 Cloetta acquired 100 per cent of the shares and 100 per cent of the voting rights in LEAF Holland B.V., the parent company of the LEAF Group, incorporated in Holland, from Yllop Holding S.A. (formerly named LEAF Holding S.A.). LEAF is a confectionery company with focus on candy, chewing gum and pastilles has leading position in the Nordic countries, the Netherlands and Italy.

The business combination is expected to result in:

- A Nordic leader in the confectionery industry.
- A full range of complementary products through Cloetta's strength in chocolate and LEAF's strength in sugar confectionery and refreshment (pastilles and chewing gum) will enhance the company's attractiveness among both customers and suppliers.
- Potential for significant annual cost and efficiency synergies in excess of SEK 65m to be achieved within two years of the closing of the transaction.

In addition to the estimated cost synergies, Cloetta has closed its factory in Slagelse, Denmark, and moved this production to Levice, Slovakia. The transfer was finalised in January 2012 and is estimated to result in additional cost savings of SEK 45m annually. The aggregated annual cost savings potential from the cost synergies and Cloetta's ongoing restructuring amounts to SEK 110m.

The transaction in which LEAF Holland B.V. was acquired by Cloetta AB has been accounted for as a reverse acquisition, meaning that LEAF Holland B.V. is considered the acquirer for group accounting purposes.

The formal acquisition of LEAF Holland B.V. by Cloetta AB was carried out partly through a cash payment of SEK 100m and partly through a vendor loan note of SEK 1,400m, as well as an issue in kind of 165,186,924 Cloetta class C shares (SEK 2,556m). Immediately following the issue of C shares, Yllop Holding S.A. held approximately 87.2 per cent of the voting rights and approximately 78.4 per cent of the share capital in Cloetta AB.

The fair value of Cloetta on the acquisition date of SEK 833m is deemed to comprise the consideration transferred. This fair value has been calculated based on 24,355,641 shares outstanding multiplied by the bid price of SEK 34.20 at the time of the acquisition. In addition, the seller has agreed to indemnify Cloetta for tax related claims that might be brought against Cloetta in respect to the proceedings in Italy. This indemnity is limited to an amount of SEK 81m and covers the financial years 2005–2007. For further details, see page 87 of the Rights Issue Prospectus dated 12 March 2012.

Cloetta has not finalised the process of recognising and measuring all identifiable assets acquired and liabilities assumed in accordance with IFRS. At 31 March 2012, identifiable assets acquired and liabilities assumed in the business combination were preliminarily measured at Cloetta's historical net book values at 16 February 2012, with the exception of inventories which have been measured at fair market value with a deferred tax adjustment calculated on the remeasurement. The inventory remeasurement effect of SEK 5m, before deferred tax adjustments, was recognised through profit and loss in Q1.

Preliminary recognition and measurement of assets acquired and liabilities assumed:

SEKm	
Non-current assets	492
Current assets	539
Non-current liabilities	–205
Current liabilities	–201
Net identifiable assets and liabilities assumed	**625**
Goodwill (of which, none is expected to be deductible for tax purposes)	208
Consideration transferred	**833**

The recognition and measurement of all identifiable assets acquired and liabilities assumed are incomplete, since business is conducted in a large number of companies and jurisdictions and the valuation of intangible assets and pension obligations and other fair value measurements is complex.

Transaction costs of SEK 49m incurred by Yllop Finance AB (formerly named LEAF Finance AB) have been funded through internal loans from LEAF, and have thereby implicitly reduced equity in LEAF through the capital contribution given by Yllop Finance AB to LEAF prior to the acquisition. Acquisition-related costs of SEK 31m incurred by the accounting acquiree, Cloetta AB, were expensed prior to the acquisition and have consequently affected goodwill.

For the period from the acquisition date until the end of March 2012, the former Cloetta contributed net sales of SEK 82m and profit of SEK –13m. If the acquisition had taken place on 1 January 2012, management estimates that net sales would have been SEK 221m and profit would have been SEK –25m, excluding transaction costs of SEK 31m.

OTHER DISCLOSURES

Parent Company

On 16 February 2012 Cloetta AB acquired LEAF Holland B.V. from Yllop Holding S.A. (formerly named LEAF Holding S.A.). The purchase price was paid partly through a cash amount (SEK 100m) and partly through the issue of a vendor loan note (SEK 1,400m), as well as an issue in kind of Cloetta shares (SEK 2,556m).

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 September 2011 to 31 March 2012. Net sales in the Parent Company reached SEK 21m (15) and referred mainly to intra-group services. Operating profit was SEK –10m (1). The deviation from last year is mainly explained by termination benefits to the former Chief Executive Officer, who retired on 29 February 2012, and consulting costs. Net financial items totalled SEK –13m (–1). Accrued interest on the vendor loan note amounted to SEK 9m. Profit before tax was SEK –23m (0) and profit after tax was SEK –17m (0). Cash and cash equivalents and short-term investments amounted to SEK 29m (51).

The Cloetta share

On 16 February 2012 the Parent Company issued 165,186,924 class C shares to Nordic Capital Fund V and funds managed by CVC

Capital Partners, respectively, through Yllop Holding S.A., as part of the purchase price for Cloetta's acquisition of LEAF Holland B.V. The C shares were issued as a new separate series in connection with the acquisition, since Yllop Holding S.A. was not entitled to subscription rights in Cloetta's rights issue. On 29 March 2012, following a request from Yllop Holding S.A., all of Yllop Holding's 165,186,924 C shares were converted to B shares.

During the period from 1 September 2011 to 31 March 2012, a total of 5,354,249 shares were traded, equal to around 3 per cent of the total number of class B shares at the end of the period. The highest quoted bid price during the period from 1 September 2011 to 12 March 2012 was SEK 40.00 and the lowest was SEK 25.40. During the period from 13 March to 31 March 2012, the highest quoted bid price was SEK 20.00 and the lowest was SEK 14.00. The share price on 31 March 2012 was SEK 15.40 (last price paid). To illustrate the effects of the rights issue on the share price, the closing share price on 12 March 2012 (last day of trading including the right to receive subscription rights) was SEK 37.50 and the closing price on 13 March 2012 (first day of trading excluding the right to receive subscription rights) was SEK 17.00.

The former Cloetta's SEK 30m convertible debenture loan for the employees ran from 14 May 2009 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. A total of 567,279 shares had been issued as a result of conversion when the loan expired, which is equal to a total increase in the share capital by SEK 3m and an increase in the share premium reserve by SEK 14m.

Shareholders

At 31 March 2012 Cloetta AB had 4,386 shareholders. Leaf Holding S.A. was the largest shareholder, with a holding corresponding to 87.0 per cent of the share capital and 78.2 per cent of the votes. Other institutional shareholders held 19.4 per cent of the votes and 10.1 per cent of the share capital. The number of shares amounted to 189,873,399, of which 187 513 399 were of class B and 2,360 000 were of class A.

Following completion of the rights issue in April 2012, the principal shareholders in Cloetta are Yllop Holding S.A. and AB Malfors Promotor.

After the end of the first quarter, the equity stake in Leaf Holding S.A. was divided and transferred to Cidron Pord S.á.r.l, which is owned by Nordic Capital Fund V, and Godis Holdings S.á.r.l, which is owned by funds under the advisorship of CVC Capital Partners. At 30 April 2012, Godis Holdings S.á.r.l. held shares corresponding to 32.9 per cent of the share capital and 24.0 per cent of the votes and Cidron Pord S.á.r.l. held shares corresponding to 24.4 per cent of the share capital and 17.8 per cent of the votes in the company. In addition, AB Malfors Promotor held shares corresponding to 21.9 per cent of the share capital and 42.9 per cent of the votes in the company.

Related party transactions

The principal shareholder at 31 March 2012 was Yllop Holding S.A. and prior to 16 February 2012 it was AB Malfors Promotor, for which reason both companies and their subsidiaries are considered to be related parties. Buying and selling of goods and services between Cloetta and the principal shareholders qualify as related party transactions. During the period the Parent Company made purchases from the above-mentioned related parties of SEK 0m (0), equal to 0 per cent (0) of the Group's total purchases during the period from 1 September 2011 to 31 March 2012. Accrued interest on the vendor loan note amounted to SEK 9m.

The invoices paid by Cloetta AB to AB Malfors Promotor for transaction costs which were incurred by AB Malfors Promotor in connection with the merger, and which are to be covered by Cloetta AB according to the terms of the share purchase agreement, are considered to be related party transactions and amount to SEK 2m.

The Parent Company has related party transactions with subsidiaries in the Group. The majority of such transactions refer to the sale of services, which for the period from September 2011 to March 2012 totalled SEK 20m (15), equal to 100 per cent of each period's total sales. At 31 March 2012 the Parent Company's receivables from subsidiaries amounted to SEK 28m (27) and liabilities to subsidiaries amounted to SEK 102m (0). Transactions with related parties are priced on market-based terms.

On 7 February 2012 LEAF Holland B.V. granted a loan to Yllop Finance AB (a subsidiary of Yllop Holding S.A.) in an amount of SEK 71 m. On 15 February 2012, this loan and all other existing loans to Yllop Finance AB were converted into equity as a capital contribution for a net amount of SEK 3,441m. Reference is made to the Capital contribution in the consolidated statement of changes in equity on page 7.

The rights issue resolved on by the Board on 7 March 2012 is identified as a related party transaction. For further details, see the section "Rights issue" on page 5.

RISK FACTORS

Cloetta is an international operating company that is exposed to a number of market and financial risks. All of these risks are monitored continuously and, if needed, risk mitigating actions are taken to limit their impact. The most relevant risk factors are described in the prospectus and include the merger, the relocation of production, IT, foreign exchange effects, interest rates, financing, raw material costs and tax risks. Compared to the prospectus, there are no changes in the risk assessment.

Merger

The merger between Cloetta and LEAF is a perfect match. Nonetheless, the merger of two large companies involves risks which could impact the business negatively. The existing risks include suboptimalisations in production and sales due to two separate companies working side by side instead of in an integrated manner. Cloetta has identified the integration risks and on 1 May 2012 a Senior Vice President Business Development took up duties to lead the integration process between Cloetta and LEAF.

ACCOUNTING POLICIES

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2012. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The consolidated interim report is presented in accordance with IAS 34, Interim Financial Reporting, and in compliance with the relevant provisions in the Swedish Annual Accounts Act and the Swedish Securities Market Act. The same accounting and valuation methods have been applied as in the most recent annual report of LEAF.

The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which are consistent with the provisions in recommendation RFR 2, Accounting for Legal Entities. The same accounting and valuation methods have been applied as in the most recent annual report.

For detailed information about the accounting policies, see LEAF's annual report for 2011 at www.cloetta.com. For detailed information about the accounting principles applied in the Parent Company's separate financial statements, see Cloetta's annual report for 2010/11 at www.cloetta.com.

Accounting policy – business combinations

The Group applies the acquisition method to account for business combinations. The acquirer for accounting purpose is identified as the entity that obtains control of the acquiree. The consideration transferred for the acquisition of the acquiree consists of the fair values of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interest issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

At acquisition goodwill is measured as the excess of the aggregate of the consideration transferred and fair value of net identifiable assets acquired and liabilities assumed.

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparable figures for the same period of the prior year, unless otherwise stated.
Capital indicators	
Capital employed	Total assets less interest-free current liabilities (including deferred tax).
Equity/assets ratio	Equity as a percentage of total assets.
Interest-bearing liabilities	Total long- and short-term borrowings, including pensions and other long-term employee benefits.
Net debt	Total third-party borrowings less cash and cash equivalents.
Operational working capital	Total inventories and trade-related receivables, less trade-related payables.
Third-party borrowings	Total long- and short-term borrowings excluding loans to former shareholders and finance lease liabilities.
Working capital	Total current assets, excluding cash and cash equivalents and derivative financial instruments, less current liabilities.
Other definitions	
Cash conversion	Underlying EBITDA less capital expenditures as a percentage of capital expenditures.
Earnings per share	Profit for the period divided by the average numbers of shares.
EBITA	Operating profit before amortisation of total intangible assets (excluding software).
EBITA margin	EBITA expressed as a percentage of net sales.
EBITDA	Operating profit before depreciation and amortisation.
EBITDA margin	EBITDA expressed as a percentage of net sales.
Gross margin	Gross profit expressed as a percentage of net sales.
Items affecting comparability	Items affecting comparability refer to non-recurring items.
Net sales growth	Net sales as a percentage of net sales in the comparative period of the previous year.
Operating margin	Operating profit expressed as a percentage of net sales.
Operating profit	Operating profit consisting of total earnings before interest and corporate income tax (EBIT).
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed.
Return on equity	Profit for the period as a percentage of total equity.
Underlying net sales, EBITA, EBITA margin	Underlying figures are based on constant exchange rates and the current structure (excluding distribution business in Belgium and a third party distribution in Italy) and excluding items affecting comparability. Includes former Cloetta's financial history for better comparability.

Exchange rates

	31 Mar 2012	31 Mar 2011	31 Dec 2011
EUR, average	8.8462	8.8710	9.0228
EUR, end of period	8.8400	8.9300	8.9100
NOK, average	1.1669	1.1330	1.1577
NOK, end of period	1.1632	1.1427	1.1467
GBP, average	10.6159	10.3767	10.4057
GBP, end of period	10.6276	10.1385	10.6668
DKK, average	1.1898	1.1901	1.2112
DKK, end of period	1.1882	1.1977	1.1987

Financial calendar

2012	Jan		
	Feb		
	Mar		
	Apr		
	May	Interim report Q1	16 May 2012
	Jun		
	Jul		
	Aug	Interim report Q2	24 August 2012
	Sep		
	Oct		
	Nov	Interim report Q3	16 November 2012
	Dec		
2013	Jan		
	Feb	Year-end report 2012	15 February 2013
	Mar		
	Apr	Annual report 2012	April 2013
		Annual General Meeting	April 2013

The information in this interim report is such that Cloetta is required to disclose in accordance with the Securities Market Act.

The report was released for publication at 7:30 a.m. CET on 16 May 2012.

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About Cloetta

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

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

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