

Interim report

1 September – 30 November 2010

Q1



FIRST QUARTER 1 SEPTEMBER – 30 NOVEMBER 2010

Net sales	SEK 333 million (332)
of which, Cloetta products	SEK 293 million (287)
Operating profit	SEK 45 million (44)
Operating margin	13.5% (13.3)
Profit before tax	SEK 44 million (44)
Profit after tax	SEK 32 million (32)
Earnings per share	
basic	SEK 1.35 (1.33)
diluted	SEK 1.32 (1.30)

Cloetta

Comments from the CEO

Strong Christmas sales

In the first quarter, which is our seasonally strongest of the year, sales of Cloetta's products rose by 2% and operating profit improved somewhat. The important Christmas sales have shown favourable development and sales of Cloetta's popular Juleskum have once again increased. The autumn's launch of Tarragona in the grocery trade also contributed to the positive sales trend. Other success factors for first quarter earnings were a good product mix and continued high efficiency in production. However, due to persistent high prices for our most important raw materials, there is a need to raise the prices of some of our products.

Gross profit and gross margin improved during the quarter. Although total costs were largely unchanged, investments have been made in increased marketing and product development expenses.

Tarragona was named "Product of the Year" by the Pressbyrå convenience store chain, where we have collaborated to develop a product that is well adapted to the service trade. Chocolate bars are the biggest segment in the confectionery category and sales of large-sized bars have been rising over a long period of time. In connection with the launch of large-sized bars in the grocery trade this autumn, Tarragona was also given visibility among other things through outdoor advertisements on billboards.

As a continuation of the launch of our Fairtrade-labelled Good chocolate bar series, it will now also be introduced as a small 10g chocolate piece. Here we see opportunities to reach new channels like restaurants, commercial kitchens and hotels. Cloetta's bite-sized chocolate pieces with lingonberry and blueberry are also suitable for the offering to new target groups.

The year's Christmas sales with Cloetta's classic Christmas range have gone well. The original Juleskum has been given an updated package design for the holiday season and featured in outdoor advertisements, and sales have once again increased.

Plopp, which was given a playful appearance during the royal wedding festivities earlier in the year, was launched in November as a bag with a temporary design that will be sold in stores until March 2011. In the coming quarter Cloetta will relaunch its classic chocolate bags, including Polly and Bridge, under a uniform concept to increase visibility in the stores and in sizes adapted to various channels.

2011 will mark the start of a whole new design for Cloetta's largest brand. Kexchoklad will be successively rolled out in stores with a happy and colourful new design aimed at modernising and strengthening the brand as Sweden's most sold confectionery item. For the start of the ski season, it will also be launched in a new taste combination – Kexchoklad blueberry.



Curt Petri, Managing Director and CEO

ABOUT CLOETTA

Founded in 1862, Cloetta is the oldest confectionery company in the Nordic region. The company's best known brands are **Kexchoklad**, **Center**, **Plopp**, **Polly**, **Tarragona**, **Guldnougat**, **Bridge**, **Juleskum**, **Sportlunch**, **Extra Starka** and the chocolate bar series **Good**. Cloetta has two production units in Sweden, one in Ljungsbro and one in Alingsås. For the period from 1 September 2009 to 31 August 2010, Cloetta posted net sales of SEK 1,061 million. The company's class B shares have been traded on NASDAQ OMX Stockholm Nordic since 16 February 2009.



FINANCIAL INFORMATION

		First quarter		Rolling 12	Full year
		Sep–Nov 2010	Sep–Nov 2009	Dec 2009 –Nov 2010	Sep 2009 – Aug 2010
Net sales	SEK M	333	332	1,062	1,061
Operating profit	SEK M	45	44	36	35
Operating margin	%	13.5	13.3	3.4	3.3
Profit before tax	SEK M	44	44	31	31
Profit for the period	SEK M	32	32	22	22
Cash flow from operating activities	SEK M	22	–21	62	19

FINANCIAL OVERVIEW

The financial year runs from 1 September 2009 to 31 August 2011.

Seasonal variations

Cloetta's business follows a seasonal cycle in which the first quarter leading up to Christmas (September–November) is the strongest from a sales and earnings perspective. To a large extent, the company's full-year profit is therefore dependent on sales during this period. The Easter holiday, which is the second peak season in the confectionery market, falls in Cloetta's third quarter, but affects sales in both the second (December–February) and third quarters (March–May) to a varying degree from year to year since Easter falls in either March or April. Cloetta's fourth quarter (June–August) is the weakest of the year in relative terms, as consumption of confectionery is lower during the summer months.

FIRST QUARTER (SEPTEMBER – NOVEMBER 2010)

Net sales

Sales of Cloetta's products amounted to SEK 293 million (287), an increase of 2%. Net sales for the quarter rose to SEK 333 million (332).

In the Swedish market, which accounts for around 85% of sales, net sales were up by 4% compared to the same period of last year. This growth has been driven mainly by the autumn's launch of Tarragona bars in the grocery trade and Juleskum, which is continuing to increase this year. In the other markets, rising sales were noted for the new large-sized bags of Kexchoklad and Polly intended for ferry lines, charter tour operators and airports (i.e. the Travel Trade).

PROFIT

Gross profit

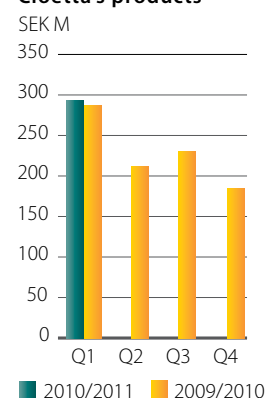
Gross profit for the period was SEK 120 million (114). This corresponds to a gross margin of 36.0% (34.3), partly owing to a good product mix and high efficiency in production. However, the prices of certain key raw materials have climbed sharply and the price of cocoa is holding steady at a historically very high level.

Operating profit

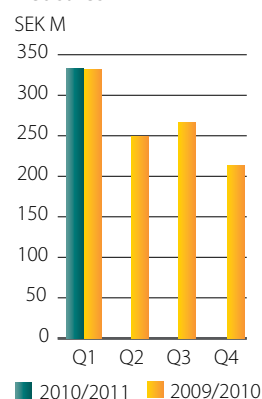
Selling and administrative expenses amounted to SEK 75 million (74). Administrative expenses were lower than in the previous year whereas marketing activities were intensified, for example in connection with the launch of the Tarragona bars. Product development costs have also risen, partly in preparation for the upcoming relaunch of Cloetta's chocolate bags in January 2011 and partly due to a new design for Kexchoklad. Operating profit was SEK 45 million (44) and operating margin was 13.5% (13.3).

Operating profit for the period was affected by foreign exchange differences of SEK 0 million (+4), which are reported together with other operating income and expenses. Due to the use of forward contracts, the autumn's strengthening of the Swedish krona will have a delayed effect on earnings.

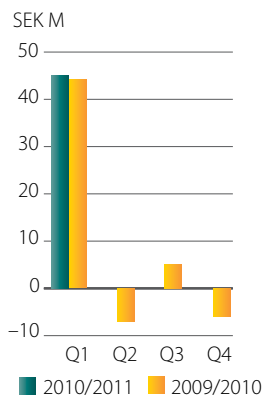
Sales of Cloetta's products



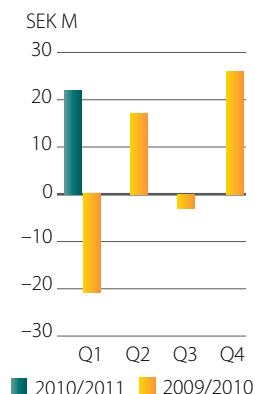
Net sales



Operating profit



Cash flow from operating activities



Tarragona – named “Product of the Year 2010” by Pressbyrån.

Profit before tax

Profit before tax was SEK 44 million (44). Net financial items totalled SEK –1 million, compared to SEK 0 million the year before.

Profit for the period

Profit after tax was SEK 32 million (32), which is equal to earnings per share of SEK 1.35 (1.33) before and SEK 1.32 (1.30) after dilution. The period’s income tax expense was SEK 12 million (12).

Financing and liquidity

Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 257 million (240).

Cloetta’s working capital requirement is exposed to seasonal variations, partly resulting from a build-up of inventories in preparation for increased sales during the Christmas holiday. This means that the working capital requirement is normally highest during the autumn, i.e. in the first quarter, and lowest at year-end, i.e. in the second quarter.

Cash flow from operating activities for the period from September to November 2010 was SEK 22 million (–21), which is mainly explained by a decrease in working capital compared to the same period of last year. Net cash of SEK 10 million (16) was utilised for investments in property, plant and equipment during the first quarter. Interest-bearing assets exceeded interest-bearing liabilities by a net amount, i.e. a net receivable, of SEK 155 million (145). The equity/assets ratio was 65.5% (63.7).

Investments

Investments in property plant and equipment during the period totalled SEK 10 million (16), and included both capacity and replacement investments in the existing production lines. Depreciation amounted to SEK 14 million (11).

OTHER DISCLOSURES

Employees

The average number of employees during the period from September to November 2010 was 447 (457). The decrease refers mainly to the previous year’s workforce reductions at the factory in Alingsås.

After giving notice to terminate 28 jobs in September 2010, negotiations have been conducted in which the parties have agreed on the redundancy of 17 people. The workforce reduction has not yet affected the average number of employees.

Parent Company

Cloetta AB’s primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from September to November 2010 (quarter 1).

Net sales in the Parent Company reached SEK 6 million (9) and referred mainly to intra-group services. Operating profit/loss was SEK 0 million (–1).

Net financial items totalled SEK 0 million (–1). Profit/loss before tax amounted to SEK 0 million (–2). Profit/loss after tax was SEK 0 million (–2).

Cash and cash equivalents and short-term investments amounted to SEK 31 million (57).

Cloetta’s SEK 30 million convertible note programme for the employees runs from 14 May 2009 to 30 March 2012 and will bear interest at a rate equal to STIBOR plus 2.5 percentage points. The convertible notes can 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, which upon full conversion will increase the number of class B shares by 1,004,889. The interest rate for the period from 10 November 2010 to 10 November 2011 has been set at 4.48%. The next interest instalment is due for payment on 10 November 2010.

The Cloetta share

Trading of the class B share of Cloetta AB (publ) commenced on NASD AQ OMX Stockholm on 16 February 2009. The share is traded under the ticker symbol CLA B with ISIN code SE0002626861.

During the period from 1 September to 30 November 2010, 495,776 shares were traded, equal to around 2% of the total number of class B shares. The highest quoted bid price for the

Cloetta share was SEK 39.30 and the lowest was SEK 37.10. The share price on 30 November 2010 was SEK 39.00 (last price paid).

Shareholders

AB Malfors Promotor is the principal shareholder in Cloetta AB (publ). At 30 November 2010, Cloetta AB had 4,386 shareholders and the principal shareholder Malfors Promotor held 74.6% of the votes and 52.3% of the share capital. Other institutional investors held 12.7% of the votes and 23.8% of the share capital. The number of shares on the same date amounted to 24,119,196, of which 21,759,196 were of class B and 2,360,000 were of class A.

Related party transactions

The principal shareholder is AB Malfors Promotor and any buying and selling of goods and services between Cloetta and the principal shareholder is regarded as a related party transaction. No such transactions took place during the period.

Events after the balance sheet date

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

Other

The interim report for the second quarter (December 2010 to February 2011) will be published on 23 March 2011.

The Board of Directors and the Managing Director 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.

Ljungsbro, 15 December 2010

Cloetta AB (publ)

Olof Svenfelt
Chairman

Lennart Bohlin
Board member

Johan Hjertonsson
Board member

Ulrika Stuart Hamilton
Board member

Mikael Svenfelt
Board member

Meg Tivéus
Board member

Lena Grönedal
Employee representative

Birgitta Hillman
Employee representative

Curt Petri
Managing Director and CEO

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



In the coming quarter Cloetta's classic chocolate bags will be relaunched under a uniform concept.



Our Plopp bag has been given a temporary new design. From November 2010 to March 2011, it will be especially full of love!



Cloetta's Fairtrade-labelled Good chocolate bar series has been expanded with 10g mint crisp chocolate pieces that were visible at the If Stockholm Open in October 2010.

Summary consolidated profit and loss accounts

SEK M	First quarter		Rolling 12	Full year
	Sep–Nov 2010	Sep–Nov 2009	Dec 2009 –Nov 2010	Sep 2009 –Aug 2010
Net sales	333	332	1,062	1,061
Cost of goods sold	-213	-218	-727	-732
Gross profit	120	114	335	329
Other operating income	0	4	2	6
Selling and administrative expenses	-75	-74	-300	-299
Other operating expenses	-	0	-1	-1
Operating profit	45	44	36	35
Financial items	-1	0	-5	-4
Profit before tax	44	44	31	31
Income tax expense	-12	-12	-9	-9
Profit for the period	32	32	22	22
Profit for the period attributable to:				
Owners of the Parent Company	32	32	22	22
Earnings per share				
Basic	1.35	1.33	0.92	0.90
Diluted	1.32	1.30	0.92	0.90
Number of shares at end of period ¹⁾	24,119,196	24,119,196	24,119,196	24,119,196

1) Which also corresponds to the average number of shares during the period.

Consolidated statements of comprehensive income

SEK M	First quarter		Rolling 12	Full year
	Sep–Nov 2010	Sep–Nov 2009	Dec 2009 –Nov 2010	Sep 2009 –Aug 2010
Profit for the period	32	32	22	22
Other comprehensive income				
Translation differences	0	0	0	0
Other comprehensive income for the period	0	0	0	0
Total comprehensive income for the period	32	32	22	22
Comprehensive income for the period attributable to:				
Owners of the Parent Company	32	32	22	22

Quarterly data

		Q1	Q4	Q3	Q2	Q1
		2010	2010	2010	Dec 2009	2009
		Sep–Nov	Jun–Aug	Mar–May	–Feb 2010	Sep–Nov
Net sales	SEK M	333	213	267	249	332
Of which, Cloetta products	SEK M	293	185	230	212	287
Operating profit/loss	SEK M	45	–6	4	–7	44
Operating margin	%	13.5	Neg	1.5	Neg	13.3
Earnings per share						
Basic	SEK	1.35	–0.24	0.09	–0.28	1.33
Diluted	SEK	1.32	–0.24	0.09	–0.28	1.30

Summary consolidated balance sheets

SEK M	2010 30 Nov	2009 30 Nov	2010 31 Aug
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	91	91	91
Other intangible assets	53	53	53
Property, plant and equipment	457	466	460
Financial assets	1	2	1
Total non-current assets	602	612	605
Current assets			
Inventories	138	118	145
Current receivables	171	197	121
Short-term investments	10	21	50
Cash and cash equivalents	247	219	195
Total current assets	566	555	511
TOTAL ASSETS	1,168	1,167	1,116
EQUITY AND LIABILITIES			
Equity			
	765	743	733
Non-current liabilities			
Deferred tax liability	104	108	103
Other provisions	75	72	74
Convertible debenture loan	28	27	28
Total non-current liabilities	207	207	205
Current liabilities			
	196	217	178
TOTAL EQUITY AND LIABILITIES	1,168	1,167	1,116
Pledged assets	1	2	1
Contingent liabilities	2	2	2

Consolidated statements of changes in equity

SEK M	Sep–Nov 2010	Sep–Nov 2009	Sep 2009 –Aug 2010
Equity at beginning of period	733	711	711
Total comprehensive income for the period	32	32	22
Equity at end of period	765	743	733

Summary consolidated cash flow statements

SEK M	First quarter		Rolling 12	Full year
	Sep–Nov 2010	Sep–Nov 2009	Dec 2009 –Nov 2010	Sep 2009 –Aug 2010
Cash flow from operating activities before changes in working capital	55	46	80	71
Changes in working capital	–33	–67	–18	–52
Cash flow from operating activities	22	–21	62	19
Net investments in property, plant and equipment	–10	–16	–45	–51
Other cash flow from investing activities	40	0	11	–29
Cash flow after investing activities	52	–37	28	–61
Cash flow from financing activities	–	–	–	–
Cash flow for the period	52	–37	28	–61
Cash and cash equivalents at beginning of period	195	256	219	256
Cash and cash equivalents at end of period	247	219	247	195
Cash, cash equivalents and short-term investments < 3 months	247	219	247	195
Short-term investments > 3 months	10	21	10	50
	257	240	257	245

Key ratios

		First quarter		Full year
		Sep–Nov 2010	Sep–Nov 2009	Sep 2009 –Aug 2010
Operating profit	SEK M	45	44	35
Operating margin	%	13.5	13.3	3.3
Profit before tax	SEK M	44	44	31
Earnings per share				
Basic	SEK	1.35	1.33	0.90
Diluted	SEK	1.32	1.30	0.90
Return on capital employed ¹⁾	%	4.3	2.6	4.7
Return on equity after tax ¹⁾	%	2.9	1.5	3.0
Cash flow from operating activities	SEK M	22	–21	19
Cash flow after investments in property, plant and equipment	SEK M	12	–37	–32
Net receivable	SEK M	155	145	144
Equity/assets ratio	%	65.5	63.7	65.7
Equity per share	SEK	31.7	30.81	30.38
Average number of employees		447	457	452
Number of shares at end of period ²⁾		24,119,196	24,119,196	24,119,196

1) Refers to rolling 12-month period.

2) Which also corresponds to the average number of shares during the period.

For definitions of key ratios, see page 101 of the 2010 annual report.

Summary parent company profit and loss accounts

SEK M	First quarter		Full year
	Sep–Nov 2010	Sep–Nov 2009	Sep 2009 –Aug 2010
Net sales	6	9	35
Costs for property management and sold services	0	0	–1
Gross profit	6	9	34
Administrative expenses	–6	–10	–31
Other operating income and expenses	0	0	0
Operating profit/loss	0	–1	3
Other financial income and expenses	0	–1	–2
Profit/loss before tax	0	–2	1
Appropriations	–	–	–1
Income tax expense	0	0	0
Profit/loss for the period	0	–2	0

Summary parent company balance sheets

SEK M	2010 30 Nov	2009 30 Nov	2010 31 Aug
ASSETS			
Non-current assets			
Property, plant and equipment	4	4	4
Financial assets	540	539	540
Total non-current assets	544	543	544
Current assets	99	95	101
TOTAL ASSETS	643	638	645
EQUITY AND LIABILITIES			
Equity			
Restricted equity	121	121	121
Non-restricted equity	481	479	481
Total equity	602	600	602
Untaxed reserves	2	1	2
Non-current liabilities			
Other provisions	1	0	1
Convertible debenture loan	28	27	28
Total non-current liabilities	29	27	29
Current liabilities	10	10	12
TOTAL EQUITY AND LIABILITIES	643	638	645
Pledged assets	None	None	None
Contingent liabilities	76	72	75

Operating and financial risks in the Group and the Parent Company

Through its operations, the Cloetta Group is exposed to both operating and financial risks. The operating risks are handled by the operating units and the financial risks by the central finance function.

The Group's manufacturing costs account for approximately 65% of total costs. Of total manufacturing costs, raw materials and packaging make up approximately 60%. The most significant raw materials in terms of value are cocoa, sugar and milk products. The prices of our most important raw materials, such as cocoa, remain high. Due to the use of forward contracts, the impact of price changes on earnings is somewhat delayed. Price development for raw materials is monitored and analysed continuously.

The Group's financial risks consist primarily of currency risk, interest rate risk and credit risk. Cash and cash equivalents and short-term investments at 30 November 2010 amounted to SEK 257 million. The Group's investment strategies are based on the guidelines set out in the Board's finance policy. With regard to the Group's currency hedging, 71% of the forecasted net flows at 30 November 2010 were hedged for a period of 9 months forward, which is in line with the Group's finance policy. Due to the use of forward exchange contracts, exchange rate fluctuations affect profit at a certain delay.

Because the Parent Company's operations consist mainly of group-wide management and administration, its risks are limited to interest rate risk and liquidity risk. However, these risks are minor in view of the company's low interest expenses and good liquidity. For further information about risk management, see the annual report for 2010 at www.cloetta.se.

Accounting policies and other disclosures

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 September 2010. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1.3, 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 Companies Act and the Swedish Securities Market Act. The same accounting and valuation methods have been applied as in the most recent annual report. The interim report for the Parent Company has been prepared in accordance with the Swedish Companies Act and the Swedish Securities Market Act, which are consistent with the provisions in recommendation RFR 2.3, 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 Cloetta's annual report for 2010 at www.cloetta.se.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these estimates and assumptions.

The estimates and assumptions are evaluated on a regular basis. Changes in estimates are reported in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.



Kexchoklad blueberry – a newcomer that will be launched in preparation for the 2011 ski season.

For information about risk management, see pages 62 and 95 of Cloetta's annual report for 2010 at www.cloetta.se

For detailed accounting policies, see page 77 of Cloetta's annual report for 2010 at www.cloetta.se



Cloetta's 2010 annual report and sustainability report according to GRI was published on 26 November 2010 and can be downloaded or ordered from www.cloetta.se.

FINANCIAL CALENDAR 2010–2011

Q2, Sep 2010 – Feb 2011

23 March 2011

Q3, Sep 2010 – May 2011

23 June 2011

Q4, Sep 2010 – Aug 2011

18 October 2011

For additional information contact

Managing Director and CEO Curt Petri, mobile +46 (0)70-593 21 69 or

CFO Kent Sandin, mobile +46 (0)70-582 77 95.

The annual report and interim reports are also published on www.cloetta.com



KEY EVENTS DURING THE QUARTER

- Tarragona was named "Product of the Year" by the Pressbyrå convenience store chain.
- The production staff in Ljungsbro was reduced by 17 people during September 2010.
- Juleskum was given a new package design.
- Cloetta's 2010 annual report and sustainability report according to GRI was published on 26 November 2010.
- Cloetta's bite-sized chocolate pieces with lingonberry and blueberry were launched in a new package.
- Good mint crisp 10g chocolate pieces had their debut.
- The Lidingöloppet cross-country race was held and Kexchoklad took part in collaboration with A Swedish Classic.



Cloetta