

# Interim report

1 September 2010 – 31 May 2011

# Q3



## THIRD QUARTER 1 MARCH – 31 MAY 2011

Net sales	SEK 237 M	(267)
of which, Cloetta products	SEK 207 M	(230)
Operating profit	SEK 5 M	(4)
Operating margin	2.1%	(1.5)
Profit before tax	SEK 5 M	(3)
Profit after tax	SEK 4 M	(2)
Earnings per share		
basic	SEK 0.15	(0.09)
diluted	SEK 0.15	(0.09)

## NINE MONTHS 1 SEPTEMBER 2010 – 31 MAY 2011

Net sales	SEK 794 M	(848)
of which, Cloetta products	SEK 703 M	(729)
Operating profit	SEK 27 M	(41)
Operating margin	SEK 3.4%	(4.8)
Profit before tax	SEK 26 M	(38)
Profit after tax	SEK 19 M	(27)
Earnings per share		
basic	SEK 0.78	(1.14)
diluted	SEK 0.78	(1.14)

*Cloetta*

## Comments from the CEO

# Lower sales and higher profit in the third quarter

*The second quarter's slow confectionery market was followed by a third quarter with essentially unchanged conditions\*. Cloetta's sales for the quarter were down compared to the previous year mainly due to the previous year's sales of products from The Official Wedding Series. Furthermore, sales of products manufactured on contract and in the pick-and-mix segment were lower than in the year before. The drop in sales is attributable to the Swedish market, while sales of Cloetta's products outside Sweden rose during the quarter. After weak earnings in the second quarter Cloetta's profit improved somewhat in the third quarter, which was also characterised by a strong cash flow from operating activities.*

In the past quarter we continued to launch new products under our key brands. A continued high rate of product development is vital in meeting the demands of our customers and consumers and thereby creating profitability through a higher level of value added.

Cumulative operating profit for the period from September 2010 to May 2011 was SEK 27 million, compared to SEK 41 million the year before. The entire drop in profit took place in our second quarter (December 2010-February 2011). At the end of the past calendar year and so far in 2011, we have seen weak development in the grocery trade which according to the Swedish Trade Federation, among others, is explained by a decrease in disposable income resulting from higher housing costs. This has also impacted the confectionery market.

In our internal efforts we have increased the focus on efficiency programmes throughout the value chain. Our gross margin and cost level in relation to sales for the third quarter are on par with the preceding year.

We are conducting constructive discussions with our customers regarding ongoing category development, product development and business conditions that are enabling us to maintain a high rate in our product range optimisation, generate profitability for Cloetta and our customers and provide our consumers with interesting new products.



Curt Petri, Managing Director and CEO

\* According to Nielsen

## 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**, **Guld nougat**, **Bridge**, **Juleskum**, **Sportlunch**, **Extra Starka** and **Good** chocolate bar series. 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

		Third quarter		Nine months		Rolling 12	Full year
		Mar 2011 –May 2011	Mar 2010 –May 2010	Sep 2010 –May 2011	Sep 2009 –May 2010	Jun 2010 –May 2011	Sep 2009 –Aug 2010
Net sales	SEK M	237	267	794	848	1,007	1,061
Operating profit	SEK M	5	4	27	41	21	35
Operating margin	%	2.1	1.5	3.4	4.8	2.1	3.3
Profit before tax	SEK M	5	3	26	38	19	31
Profit for the period	SEK M	4	2	19	27	14	22
Cash flow from operating activities	SEK M	42	–3	80	–7	106	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. 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 and affects sales in both the second (December–February) and third quarters (March–May) to a varying degree from year to year depending on whether Easter falls in March or April. Cloetta's fourth quarter (June–August) is the weakest of the year in relative terms, as consumption of confectionery is normally lower during the summer months.

## THIRD QUARTER (MARCH – MAY 2011)

### Net sales

Sales of Cloetta's products amounted to SEK 207 million (230). Net sales for the quarter totalled SEK 237 million (267), of which products manufactured on contract accounted for SEK 30 million (37).

In the Swedish market, which accounts for around 85%, sales were lower than in the year-earlier quarter, mainly because the first volumes of the Wedding Series were delivered in the same period of last year. The third quarter saw continued low in-store sales, although the total chocolate and confectionery market in the grocery trade was on a level with the year before. In spite of the later Easter holiday, sales in the pick-and-mix segment declined somewhat during the quarter. In May 2011 Kexchoklad was launched in new raspberry and banana flavours and Kexchoklad mini-bars with a taste of raspberry were relaunched for the summer together with Polly Summer Berries. The launch made a positive contribution to sales of Cloetta's products in the Swedish market during the period.

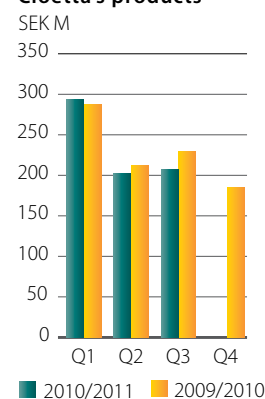
Sales in Cloetta's other markets were up during the quarter, largely due to higher sales of primarily Center and Sportlunch in Norway. Polly Summer Berries was launched in Finland, which had a positive impact on sales for the quarter.

## PROFIT

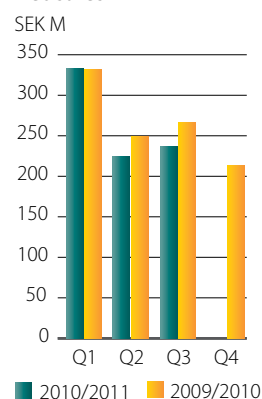
### Gross profit

Gross profit for the period was SEK 75 million (85), which is equal to a gross margin of 31.6% (31.8). The lower gross profit for the period is partly due to lower sales of Cloetta's products but has also been affected by the decrease in products manufactured on contract. High raw

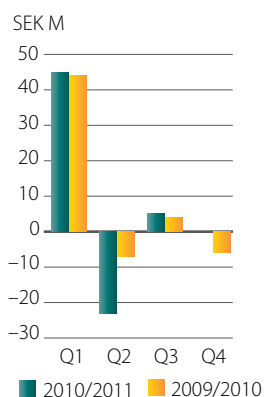
**Sales of Cloetta's products**



**Net sales**



### Operating profit



material prices continue to exert pressure on margins, even including the effects of a stronger Swedish krona compared to the previous year.

### Operating profit

Overhead expenses fell by SEK 11 million and amounted to SEK 73 million (84). The decrease is mainly attributable to the marketing activities that were carried in the comparison period in connection with the launch of Cloetta's Good chocolate bar series and the Wedding Series.

Operating profit was SEK 5 million (4) and operating margin for the quarter was 2.1% (1.5). Operating profit was positively affected by foreign exchange differences of SEK 3 million (3) that are reported together with other operating income and expenses.

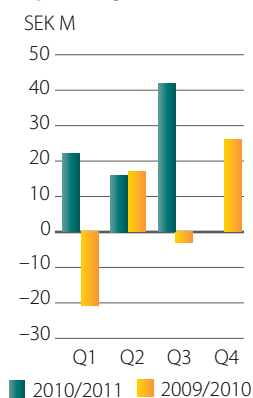
### Profit before tax

Profit before tax is reported at SEK 5 million (3). Net financial items totalled SEK 0 million, compared to SEK -1 million the year before.

### Profit for the period

Profit after tax was SEK 4 million (2), which is equal to earnings per share of SEK 0.15 (0.09) before and SEK 0.15 after dilution (0.09). The period's income tax expense was SEK 1 million (1).

### Cash flow from operating activities



## NINE MONTHS (SEPTEMBER 2010 – MAY 2011)

### Net sales

Sales of Cloetta's products amounted to SEK 703 million (729). Net sales for the nine-month period totalled SEK 794 million (848), of which products manufactured on contract accounted for SEK 91 million (119).

Cumulative sales in the Swedish market, which accounts for around 85% of sales, were lower than in the year before, mainly because the first volumes of the Wedding Series were delivered in the same period of last year. Overall sales of Cloetta's leading brands for the period from September 2010 to May 2011 were on par with the preceding year thanks to the autumn's launch of Tarragona bars and the popular Christmas product Juleskum, which had a particularly positive impact on sales. In the spring of 2011 Cloetta launched a new design for all Kexchoklad articles and the new Kexchoklad blueberry 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 dragees in sizes adapted for the grocery and service trades. In connection with this, Pops Crunchy was launched on the Swedish market.

Total cumulative sales in Cloetta's other markets were somewhat higher than in the previous year. Sales in the Travel Trade have increased mainly as a result of the new large-sized bags of Kexchoklad and Polly intended for passenger ferries, charter tour operators and airports.



The Polly bag with summer flavours is a limited edition product that will be available temporarily.

## PROFIT

### Gross profit

Gross profit for the period was SEK 249 million (273), which is equal to a gross margin of 31.4% (32.2). Falling sales and lower profitability in the product mix sold this year compared to the year-earlier period, together with a decrease in products manufactured on contract, had a negative impact on gross profit. The prices of certain key raw materials remain high, including the price of cocoa which is holding steady at historically very high levels. All in all, the combination of lower sales, high raw material prices and decreased capacity utilisation in production led to a weaker gross margin for the period.

### Operating profit

Overhead expenses fell by SEK 11 million and amounted to 224 million (235). The decrease is mainly attributable to the marketing activities that were carried in the comparison period in connection with the launch of Cloetta's Good chocolate bar series and the Wedding Series. During the year, marketing activities have been conducted among other things through the media and joint promotional campaigns with customers in preparation for the launch of large-sized Tarragona bars in the grocery retail trade and ahead of the Christmas sales, for products such as Juleskum. During the ski season, Kexchoklad was promoted through outdoor

advertisements and activities at ski resorts. Product development costs have risen through the relaunch of Cloetta's chocolate bags and the new design for Kexchoklad. Administrative expenses were on par with the previous year.

Operating profit was SEK 27 million (41) and operating margin was 3.4% (4.8). Operating profit was positively affected by foreign exchange differences of SEK 2 million (4) that are reported together with other operating income and expenses. Due to the use of forward contracts, the period's strengthening of the Swedish krona will have a delayed effect on earnings.

#### Profit before tax

Profit before tax was SEK 26 million (38). Net financial items totalled SEK -1 million, compared to SEK -3 million the year before.

#### Profit for the period

Profit after tax is reported at SEK 19 million (27), which is equal to earnings per share of SEK 0.78 (1.14) before and SEK 0.78 (1.14) after dilution. The period's income tax expense was SEK 7 million (11).

#### Rolling 12 months

Net sales for the rolling 12-month period reached SEK 1,007 million. Operating profit for the rolling 12-month period was SEK 21 million.

#### Financing and liquidity

Cash and cash equivalents and short-term investments amounted to SEK 276 million (235).

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 2010 to May 2011 was SEK 80 million (-7), an improvement that is mainly explained by a decrease in working capital compared to the same period of last year. Net cash of SEK 31 million (34) was utilised for investments in property, plant and equipment in the first nine months of the year. Other cash flow from investing activities consists 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 a net amount (i.e. a net receivable) of SEK 175 million (136). EBITDA (operating profit before amortisation, depreciation and impairment) for the nine-month period was SEK 68 million (78), equal to a margin of 8.6% (9.2). The equity/assets ratio was 66.8% (66.0).

#### Investments

Investments in property plant and equipment during the period totalled SEK 31 million (34) and included both capacity and replacement investments in the existing production lines. Depreciation amounted to SEK 41 million (37).

### OTHER DISCLOSURES

#### Employees

The average number of employees during the period from September 2010 to May 2011 was 436 (454). The decrease refers mainly to the previous year's workforce reductions at the factory in Alingsås, but also to reductions in the production staff in Ljungsbro as announced in the first quarter.

#### 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 2010 to May 2011 (cumulative).

Net sales in the Parent Company reached SEK 19 million (26) and referred mainly to intra-group services. Operating profit was SEK 1 million (2).



Kexchoklad blueberry was launched in February 2011 and two additional new versions of Kexchoklad in raspberry and banana flavours were launched in May.



Kexchoklad has signed on as a new sponsor of the Swedish Beach Tour beach volleyball competition for the summer of 2011. The tour will give Kexchoklad an active presence throughout Sweden during the summer season.



Kexchoklad mini-bars with a taste of raspberry have been temporarily relaunched over the summer.



In May 2011, Flipper fruit-flavoured marshmallows were given a fresh new design.



On 6 June, Sweden's national day, it was once again time for Cloetta to take part in the Citizenship Ceremony, which was held at Stockholm city hall for 800 new Swedish citizens. The guests were treated to bite-size lingonberry and blueberry chocolates from The Official Wedding Series.

Net financial items totalled SEK –1 million (–2). Profit before tax was SEK 0 million (0) and profit after tax was SEK 0 million (0).

Cash and cash equivalents and short-term investments amounted to SEK 52 million (69).

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 2011.

A total of 186,735 shares were converted during the third quarter, which is equal to an increase in the share capital of SEK 1 million and an increase in the share premium reserve of SEK 4 million.

### The Cloetta share

Trading of the class B share of Cloetta AB (publ) commenced on NASDAQ 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 2010 to 31 May 2011, a total of 1,632,164 shares were traded, equal to around 7% of the total number of class B shares. The highest quoted bid price for the Cloetta share was SEK 39.90 and the lowest was SEK 33.00 kronor. The share price on 31 May 2011 was SEK 34.40 (last price paid).

### Shareholders

AB Malfors Promotor is the principal shareholder in Cloetta AB (publ). At 31 May 2011 Cloetta AB had 4,211 shareholders and the principal shareholder Malfors Promotor held 74.3% of the votes and 51.9% of the share capital. Other institutional investors held 12.7% of the votes and 23.9% of the share capital. The number of shares amounted to 24,305,931, of which 21,945,931 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 are regarded as related party transactions. Aside from the dividend approved by the Annual General Meeting, no such transactions took place during the period.

The Parent Company has related party transactions with subsidiaries in the Group. The majority of such transactions refer to the sale of services, which amounted to SEK 6 million (9) for the period from March to May 2011 and SEK 19 million (26) for the period from September 2010 to May 2011, which is equal to 100% of each period's total sales. At 31 May 2011, the Parent Company's receivables from subsidiaries amounted to SEK 27 million (28) and liabilities to subsidiaries amounted to SEK 0 million (0). Transactions with related parties are priced on market-based terms.

### 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 fourth quarter (June – August 2011) will be published on 18 October 2011.

### Future

The long-term financial targets remain in place and aside from creating organic growth in the existing operations, Cloetta intends to grow through acquisitions and new partnerships. The financial targets are shown on page 8 of the 2010 annual report.

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, 23 June 2011

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*

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The information in this interim report has been reviewed by the company's auditors

## *Review report*

To the Board of Directors of Cloetta AB  
Corporate ID number 556308-8144

### *Introduction*

We have reviewed the interim report of Cloetta AB (publ) at 31 May 2011 and for the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### *Scope of review*

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group and in accordance with the Annual Accounts Act for the parent company.

Stockholm, 23 June 2011  
KPMG AB

Helene Willberg  
*Authorised Public Accountant*

## Summary consolidated profit and loss accounts

SEK M	Third quarter		Nine months		Rolling 12	Full year
	Mar 2011 –May 2011	Mar 2010 –May 2010	Sep 2010 –May 2011	Sep 2009 –May 2010	Jun 2010 –May 2011	Sep 2009 –Aug 2010
Net sales	237	267	794	848	1,007	1,061
Cost of goods sold	-162	-182	-545	-575	-702	-732
<b>Gross profit</b>	<b>75</b>	<b>85</b>	<b>249</b>	<b>273</b>	<b>305</b>	<b>329</b>
Other operating income	3	3	2	4	4	6
Selling and administrative expenses	-73	-84	-224	-235	-288	-299
Other operating expenses	0	0	0	-1	0	-1
<b>Operating profit</b>	<b>5</b>	<b>4</b>	<b>27</b>	<b>41</b>	<b>21</b>	<b>35</b>
Financial items	0	-1	-1	-3	-2	-4
<b>Profit before tax</b>	<b>5</b>	<b>3</b>	<b>26</b>	<b>38</b>	<b>19</b>	<b>31</b>
Income tax expense	-1	-1	-7	-11	-5	-9
<b>Profit for the period</b>	<b>4</b>	<b>2</b>	<b>19</b>	<b>27</b>	<b>14</b>	<b>22</b>
<b>Profit for the period attributable to:</b>						
Owners of the Parent Company	4	2	19	27	14	22
Earnings per share						
basic	0.15	0.09	0.78	1.14	0.54	0.90
diluted	0.15	0.09	0.78	1.14	0.54	0.90
Number of shares at end of period	24,305,931	24,119,196	24,305,931	24,119,196	24,305,931	24,119,196
Average number of shares	24,305,931	24,119,196	24,257,366	24,119,196	24,222,540	24,119,196



## Consolidated statements of comprehensive income

SEK M	Third quarter		Nine months		Rolling 12	Full year
	Mar 2011 –May 2011	Mar 2010 –May 2010	Sep 2010 –May 2011	Sep 2009 –May 2010	Jun 2010 –May 2011	Sep 2009 –Aug 2010
<b>Profit for the period</b>	<b>4</b>	2	<b>19</b>	27	<b>14</b>	22
<b>Other comprehensive income</b>						
Translation differences	0	0	0	0	0	0
<b>Other comprehensive income for the period</b>	<b>0</b>	0	<b>0</b>	0	<b>0</b>	0
<b>Total comprehensive income for the period</b>	<b>4</b>	2	<b>19</b>	27	<b>14</b>	22
<b>Comprehensive income for the period attributable to:</b>						
Owners of the Parent Company	4	2	19	27	14	22

## Quarterly data

		Q3	Q2	Q1	Q4	Q3
		2011 Mar–May	Dec 2010 –Feb 2011	2010 Sep–Nov	2010 Jun–Aug	2010 Mar–May
Net sales	SEK M	237	224	333	213	267
Of which, Cloetta products	SEK M	207	202	293	185	230
Operating profit/loss	SEK M	5	–23	45	–6	4
Operating margin	%	2.1	neg	13.5	neg	1.5
Operating profit before depreciation, amortisation and impairment	SEK M	19	–10	59	7	17
Operating margin before depreciation, amortisation and impairment	%	8.0	neg	17.7	3.3	6.4
Earnings per share						
basic	SEK	0.15	–0.71	1.35	–0.24	0.09
diluted	SEK	0.15	–0.71	1.32	–0.24	0.09

## Summary consolidated balance sheets

SEK M	2011 31 May	2010 31 May	2010 31 Aug
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Goodwill	91	91	91
Other intangible assets	52	53	53
Property, plant and equipment	450	457	460
Financial assets	1	2	1
<b>Total non-current assets</b>	<b>594</b>	603	605
<b>Current assets</b>			
Inventories	132	150	145
Current receivables	104	131	121
Short-term investments	–	45	50
Cash and cash equivalents	276	190	195
<b>Total current assets</b>	<b>512</b>	516	511
<b>TOTAL ASSETS</b>	<b>1,106</b>	1,119	1,116
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>739</b>	738	733
<b>Non-current liabilities</b>			
Deferred tax liability	103	106	103
Other provisions	78	74	74
Convertible debenture loan	24	28	28
<b>Total non-current liabilities</b>	<b>205</b>	208	205
<b>Current liabilities</b>	<b>162</b>	173	178
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,106</b>	1,119	1,116
Pledged assets	1	2	1
Contingent liabilities	2	2	2

## Consolidated statements of changes in equity

SEK M	Sep 2010 –May 2011	Sep 2009 –Maj 2010	Sep 2009 –Aug 2010
Equity at beginning of period	733	711	711
Total comprehensive income for the period	19	27	22
Dividend	–18	–	–
Conversion of convertible debenture loan	5	–	–
<b>Equity at end of period</b>	<b>739</b>	738	733

## Summary consolidated cash flow statements

	Third quarter		Nine months		Rolling 12	Full year
	Mar 2011 –May 2011	Mars 2010 –May 2010	Sep 2010 –May 2011	Sep 2009 –May 2010	Jun 2010 –May 2011	Sep 2009 –Aug 2010
SEK M						
Cash flow from operating activities before changes in working capital	17	28	59	68	62	71
Changes in working capital	25	–31	21	–75	44	–52
<b>Cash flow from operating activities</b>	<b>42</b>	<b>–3</b>	<b>80</b>	<b>–7</b>	<b>106</b>	<b>19</b>
Net investments in property, plant and equipment	–10	–6	–31	–34	–48	–51
Other cash flow from investing activities	–	–	50	–25	46	–29
<b>Cash flow after investing activities</b>	<b>32</b>	<b>–9</b>	<b>99</b>	<b>–66</b>	<b>104</b>	<b>–61</b>
Cash flow from financing activities	–	–	–18	–	–18	–
<b>Cash flow for the period</b>	<b>32</b>	<b>–9</b>	<b>81</b>	<b>–66</b>	<b>86</b>	<b>–61</b>
Cash and cash equivalents at beginning of period	244	199	195	256	190	256
Cash and cash equivalents at end of period	276	190	276	190	276	195
Cash, cash equivalents and short-term investments < 3 months	276	190	276	190	276	195
Short-term investments > 3 months	–	45	–	45	–	50
	<b>276</b>	<b>235</b>	<b>276</b>	<b>235</b>	<b>276</b>	<b>245</b>

## Key ratios

		Third quarter		Nine months		Full year
		Mar 2011 –May 2011	Mar 2010 –May 2010	Sep 2010 –May 2011	Sep 2009 –May 2010	Sep 2009 –Aug 2010
Operating profit	SEK M	5	4	27	41	35
Operating margin	%	2.1	1.5	3.4	4.8	3.3
Operating profit before depreciation, amortisation and impairment	SEK M	19	17	68	78	85
Operating margin before depreciation, amortisation and impairment	%	8.0	6.4	8.6	9.2	8.0
Profit before tax	SEK M	5	3	26	38	31
Earnings per share						
basic	SEK	0.15	0.09	0.78	1.14	0.90
diluted	SEK	0.15	0.09	0.78	1.14	0.90
Return on capital employed <sup>1)</sup>	%	3.2	2.8	3.2	2.8	4.7
Return on equity after tax <sup>1)</sup>	%	1.8	1.4	1.8	1.4	3.0
Cash flow from operating activities	SEK M	42	–3	80	–7	19
Cash flow after investments in property, plant and equipment	SEK M	32	–9	49	–41	–32
Net receivable	SEK M	175	136	175	136	144
Equity/assets ratio	%	66.8	66.0	66.8	66.0	65.7
Equity per share	SEK	30.40	30.62	30.40	30.62	30.38
Average number of employees		426	456	436	454	452
Number of shares at end of period		24,305,931	24,119,196	24,305,931	24,119,196	24,119,196
Average number of shares		24,305,931	24,119,196	24,257,366	24,119,196	24,119,196

1) Refers to rolling 12-month period.

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

## Summary parent company profit and loss accounts

SEK M	Third quarter		Nine months		Full year
	Mar 2011 –May 2011	Mar 2010 –May 2010	Sep 2010 –May 2011	Sep 2009 –May 2010	Sep 2009 –Aug 2010
Net sales	6	9	19	26	35
Costs for property management and sold services	0	0	0	0	–1
<b>Gross profit</b>	<b>6</b>	<b>9</b>	<b>19</b>	<b>26</b>	<b>34</b>
Administrative expenses	–6	–7	–18	–24	–31
Other operating income and expenses	0	0	0	0	0
<b>Operating profit</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>3</b>
Other financial income and expenses	0	–1	–1	–2	–2
<b>Profit before tax</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
Appropriations	–	–	–	–	–1
Income tax expense	0	0	0	0	0
<b>Profit for the period</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Summary parent company balance sheets

SEK M	2011 31 May	2010 31 May	2010 31 Aug
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	4	4
Financial assets	541	540	540
<b>Total non-current assets</b>	<b>545</b>	<b>544</b>	<b>544</b>
<b>Current assets</b>	<b>79</b>	<b>98</b>	<b>101</b>
<b>TOTAL ASSETS</b>	<b>624</b>	<b>642</b>	<b>645</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	122	121	121
Non-restricted equity	467	481	481
<b>Total equity</b>	<b>589</b>	<b>602</b>	<b>602</b>
<b>Untaxed reserves</b>	<b>2</b>	<b>1</b>	<b>2</b>
<b>Non-current liabilities</b>			
Other provisions	1	0	1
Convertible debenture loan	24	28	28
<b>Total non-current liabilities</b>	<b>25</b>	<b>28</b>	<b>29</b>
<b>Current liabilities</b>	<b>8</b>	<b>11</b>	<b>12</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>624</b>	<b>642</b>	<b>645</b>
Pledged assets	None	None	None
Contingent liabilities	79	74	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 31 May 2011 amounted to SEK 276 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, 68% of the forecasted net flows at 31 May 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](http://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, 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, 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](http://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.



## Linköpings universitet

A strategic research partnership has been established between Cloetta and Linköping University. Cloetta has thus become a member of the Process Industry Centre (PIC), whose goal is to strengthen the competitiveness of the Swedish process industry.

For information about risk management, see pages 62 and 95 of Cloetta's annual report for 2010 at [www.cloetta.com](http://www.cloetta.com)

For detailed accounting policies, see page 77 of Cloetta's annual report for 2010 at [www.cloetta.com](http://www.cloetta.com)



Sportlunch has been successful in Norwegian ski resorts and had an active presence in other contexts, for example as official sponsor of Linköping Skateweek 2011.





Good almond macaroon and Pops Crunchy were launched earlier in the year.

## FINANCIAL CALENDAR 2011

Year-end report, September 2010 – August 2011	18 October 2011
Annual report, September 2010 – August 2011	week 48 2011
Annual General Meeting 2010/2011	19 December 2011

### For additional information contact

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The annual report and interim reports are also published on [www.cloetta.com](http://www.cloetta.com)

## KEY EVENTS DURING THE QUARTER

- Kexchoklad bars in raspberry and banana flavours were launched in May 2011.
- Polly Summer Berries was relaunched as a limited edition ahead of summer 2011.
- Kexchoklad mini-bars with a taste of raspberry were relaunched as a limited edition for summer 2011.
- Kexchoklad was an official supplier to the Göteborgsvarvet half marathon on 11–13 May 2011.
- Cloetta took part in the Citizenship Ceremony at Stockholm City Hall on Sweden's national day, 6 June.
- Kexchoklad signed on as a new sponsor for the Swedish Beach Tour beach volleyball competition in 2011.
- A strategic research partnership has been established with Linköping University.



# Cloetta