Cloetta

Interim report, Q2 April – June 2013

Stockholm, 19 July 2013

- **Net sales** for the quarter amounted to SEK 1,131m (1,212). Adjusted for exchange rate differences the decline was 4.1 per cent.
- **Operating profit** was SEK 54m (–53).
- **Underlying EBIT** was SEK 109m (49). The improvement is mainly driven by realised synergies and factory restructurings.
- **Items affecting comparability** amounted to SEK –51m (–103) and consist of costs for restructurings.
- **Cash flow from operating activities** was SEK –23m (125). Change is mainly due to a build-up of stocks as part of factory restructurings and the impact of changed payment terms in Italy.
- **The integration process** has been essentially completed from an operational standpoint.
- **The factory restructurings** are proceeding according to plan. As announced earlier, savings will be fully effective towards the end of 2014.

	Second quarter			6 months			Full year
SEKm	Apr–Jun 2013	Apr–Jun 2012	Change, %	Jan–Jun 2013	Jan–Jun 2012	Change, %	Jan–Dec 2012
Net sales	1,131	1,212	–6.8[3]	2,258	2,296	–1.7[3]	4,859
Operating profit (EBIT)	54	–53	na	112	–47	na	125
Operating profit margin (EBIT margin), %	4.7	–4.4	9.1-pts	4.9	–2.1	7.0-pts	2.6
Underlying EBIT[1]	109	49	122.4	200	97	106.2	423
Underlying EBIT margin, %[1]	9.6	4.0	5.6-pts	8.7	4.1	4.6-pts	8.7
Profit before tax	–67	–130	na	–18	–242	na	–140
Profit for the period	–44	–122	na	–8	–241	na	–73
Earnings per share, basic and diluted, SEK	–0.15	–0.43	na[2]	–0.03	–0.91	na[2]	–0.26
Cash flow from operating activities	–23	125	na	–39	90	na	330

1 Based on constant exchange rates, the current Group structure and excluding items affecting comparability related to restructurings.
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 and the effect of the rights issue which was carried out in the second quarter of 2012.
3 Organic growth at constant exchange rates and comparable units –4.1% for the quarter and –3.7% for the first half year. See further under Net Sales on page 3.

Message from the CEO

For the third consecutive quarter underlying operating profit (EBIT) increased versus the previous year.

The company's underlying operating profit (EBIT) improved to SEK 109m (49) for the quarter. The improvement is primarily the result of realised synergies from the merger and factory restructurings. The underlying operating margin amounted to 9.6 per cent (4.0) and the gross margin improved to 38.4 per cent (34.1). Cash flow from operating activities was SEK –23m (125). The change mainly comes from a build-up of stocks as part of factory restructurings and the impact of changed payment terms in Italy.

We repaid loans with SEK 90m, which is in line with our plan.

The confectionery market remained relatively weak during the quarter, especially In Italy, Denmark and the Netherlands, but Finland also lost momentum in the quarter in the face of weak economic development with a falling GDP. In most other markets, the confectionery market showed a slight positive trend.

Adjusted for changes in exchange rates sales decreased by 4.1 per cent in the quarter. Sales increased or were relatively stable in the Netherlands, Italy and Germany, but decreased in most other countries. The reasons for the decline in sales vary by market.

Sales in Sweden developed well in general, but decreased overall as we decided not to sell the seasonal foam product "Juliskum". Sales of pick-and-mix candy also declined.

The lower sales in Denmark were primarily caused by unresolved negotiations with a major customer. Also, the shift towards border trade continues. In Norway, sales were temporarily negatively impacted due to a major reorganisation.

In Italy, the sales development was better than it has been for several quarters. This was due to a strong re-launch of the Dietorelle brand. In general, however, market development in Italy remains weak.

The integration process, as stated in our previous quarterly report, has been essentially completed from an operational standpoint. During the second quarter, a contract was signed for the purchase of the externally operated production line, which currently manufactures Tupla, our largest chocolate product in Finland. The production line will be relocated to Ljungsbro, Sweden. As announced earlier, overall savings from the integration will gradually be achieved in 2013.

The production restructuring is proceeding according to plan. As reported previously, at the end of 2012 and the beginning of 2013 we closed and relocated production from Alingsås, Sweden, and Aura, Finland. Installation of equipment in Ljungsbro and Levice, Slovakia, in order to take over production from Gävle, Sweden, is in progress. The focus is now gradually shifting to matching (test runs to ensure flavour, consistency and appearance) of the products. The factory in Gävle is scheduled for closure during the first quarter of 2014.

We began to realise synergies from the merger and cost savings from the restructuring in the third quarter, 2012. Thus, comparative quarterly results will include such positive effects going forward on our journey towards an EBIT margin of at least 14 per cent.

During the quarter, we also implemented the Group's new business system in the factory in Levice, Slovakia.

Cloetta has limited financial flexibility with regard to acquisitions, however, we continuously evaluate potential acquisition candidates. In fact, Cloetta made a small acquisition during the quarter when the FTF Sweets Ltd which owns the brand Goody Good Stuff was acquired.

In summary, our strategy remains unchanged and we intend to finalise the merger as well as the ongoing factory restructuring in the next three quarters. As these efforts more and more come to a completion, it will allow us to again focus entirely on driving profitable growth.

Bengt Baron,
President and CEO

Financial overview

THE FINANCIAL YEAR

This interim report includes the consolidated financial statements of the Cloetta Group for the period from 1 January to 30 June 2013. Since Cloetta's acquisition of LEAF is accounted for as a reverse acquisition, the consolidated comparative figures up to 15 February 2012 are those for Cloetta Holland B.V. (formerly known as LEAF Holland B.V.). The consolidated comparative figures from 16 February 2012 onwards are those for both Cloetta Holland B.V. (formerly known as LEAF Holland B.V.) and the former Cloetta Group. For this reason, the comparative figures for the first half year are not entirely comparable. The comparative figures for the Parent Company are those for the legal acquirer, i.e. Cloetta AB. For the Parent Company, this interim report covers the period from 1 January to 30 June 2013 in accordance with the Parent Company's financial year. The comparative figures for the Parent Company cover the period 1 September 2011 to 30 June 2012 in accordance with the Parent Company's financial year.

SECOND QUARTER DEVELOPMENTS

Net sales

Net sales for the second quarter decreased by SEK 81m to SEK 1,131m (1,212) compared to the same period last year. Adjusted for changes in exchange rates sales decreased by 4.1 per cent in the quarter.

Sales increased or were relatively stable in the Netherlands, Italy and Germany, but decreased in most other countries.

Sales in Sweden developed well in general, but decreased overall as the focus has been on sales of products with higher margins.

The lower sales in Denmark were primarily caused by unresolved negotiations with a major customer. Also, the shift towards border trade continues. In Norway, sales were temporarily negatively impacted due to a major reorganisation.

In Italy, sales development was better than it has been for several quarters. This was due to a strong re-launch of the Dietorelle brand.

Changes in net sales, %	Apr–Jun 2013	Jan–Jun 2013
Changes in exchange rates	–2.7	–2.7
Structural changes	0.0	4.7
Organic growth	–4.1	–3.7
Total	**–6.8**	**–1.7**

Gross Profit

Gross profit amounted to SEK 435m (413), which is equal to a gross margin of 38.4 per cent (34.1).

Operating Profit

Operating profit was SEK 54m (–53). The increase is mainly attributable to lower items affecting comparability, synergies from the merger and factory restructurings.

Underlying EBIT

Underlying EBIT amounted to SEK 109m (49). The increase is mainly driven by synergies from the merger and factory restructurings.

Items affecting comparability

Operating profit for the second quarter includes total items affecting comparability of SEK –55m (–102). These consists of costs for restructurings SEK –51m (–103) and exchange differences of SEK –4m (1).

Net financial items

Net financial items for the quarter amounted to SEK –121m (–77). Net financial items were negatively affected by exchange differences on borrowings and cash in an amount of SEK –78m (–9). As of the third quarter of 2013 hedge accounting will be applied, reducing the volatility of net financial items caused by the revaluation of monetary assets and liabilities. The negative effect was partly offset by the positive effect of lower amortisation of financing cost of SEK –5m (–17), lower interest expenses on borrowings of SEK –30m (–35) and other net financial items for SEK –8m (–16).

Profit for the period

Profit for the period was SEK –44m (–122), which is equal to basic and diluted earnings per share of SEK –0.15 (–0.43). Income tax for the period was SEK 23m (8).

Acquisitions and divestments

In the second quarter Cloetta AB acquired the British candy company FTF Sweets Ltd owning the brand Goody Good Stuff. Goody Good Stuff is in a growth phase and has recently signed a nationwide distribution agreement with one of the leading convenience stores in the US. Sales amounted to approximately SEK 10m in 2012. Goody Good Stuff was launched in 2010 and has its core markets in the UK and US.

DEVELOPMENT IN THE FIRST HALF OF THE YEAR

Net sales

Net sales for the first half of the year decreased by SEK 38m to SEK 2,258m (2,296) compared to the same period last year.

Sales increased or were relatively stable in the Netherlands, Germany and countries outside the home markets. Sales decreased in most other countries.

Gross Profit

Gross profit amounted to SEK 857m (799), which is equal to a gross margin of 38.0 per cent (34.8).

Operating Profit

Operating profit was SEK 112m (–47). The increase is attributable to lower items affecting comparability, synergies from the merger, factory restructurings and price increases implemented during 2012.

Underlying EBIT

Underlying EBIT amounted to SEK 200m (97). The increase was driven by synergies from the merger, factory restructurings and price increases.

Items affecting comparability

Operating profit for the first half of the year includes total items affecting comparability of SEK –88m (–144). These consist of costs for restructurings SEK –84m (–156) and exchange differences of SEK –4m (12).

Net financial items

Net financial items for the first half of the year amounted to SEK –130m (–195). The improvement is mainly a result of lower interest expenses on loans from former shareholders in LEAF. These loans were converted into equity on 15 February 2012, for which reason no interest arose in the first half of 2013. Total interest on these loans in the same period of last year amounted to SEK –61m. In addition to the impact of the lower interest expenses, net financial items were positively affected by lower amortisation of financing costs in an amount of SEK –10m (–42). Net financial items were negatively affected by exchange differences on borrowings and cash in an amount SEK –41m (–5).

Profit for the period

Profit for the first half of the year was SEK –8m (–241), which is equal to basic and diluted earnings per share of SEK –0.03 (–0.91). Income tax for the period was SEK 10m (1).

Acquisitions and divestments

In the first quarter the factories in Aura, Finland, and Alingsås, Sweden, were sold. Three smaller properties and a building were sold in Ljungsbro, Sweden.

CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

Cash flow for the second quarter

Cash flow from operating activities for the second quarter totalled SEK –23m (125). The change mainly comes from build-up of stocks as part of factory restructurings and the impact of changed payment terms in Italy. The changed terms resulted in payments from customers already in the first quarter. The lower cash flows from changes in working capital were partly offset by the positive impact of operating profit which improved from SEK –53m last year to SEK 54m this year. Cash flow from operating and investing activities for the second quarter totalled SEK –102m (–1,297).

Working Capital

Cash flow from changes in working capital was SEK –47m (145). The decrease is mainly due to lower cash flows resulting from the effects of increased inventories in the quarter.

Investments

Cash flow from investing activities was SEK –79m (–1,422).

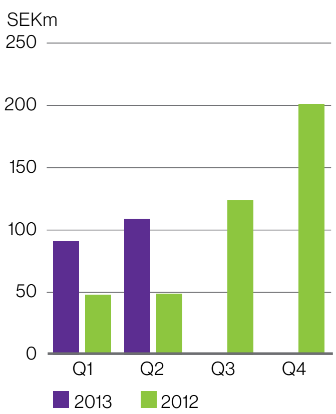
Cash flow for the first half of the year

Cash flow from operating activities for the first half of the year totalled SEK –39m (90). The change mainly comes from a build-up of stocks as part of the factory restructurings. The lower cash flows from changes in working capital are partly offset by the positive impact of operating profit which improved from SEK –47m last year to SEK 112m this year and lower interest expenses in the first half year of 2013 of SEK –75m compared to SEK –121 last year. Cash flow from operating and investing activities for the first half of the year totalled SEK –141m (–1,257).

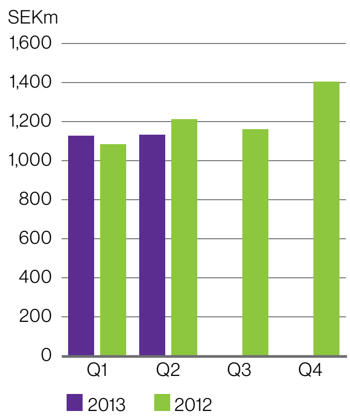
Working Capital

Cash flow from changes in working capital was SEK –83m (155). The decrease is mainly due to increased inventories compared to last year.

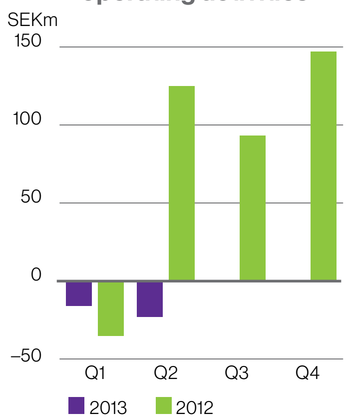
Underlying EBIT



Net sales



Cash flow from operating activities



Investments

Cash flow from investing activities was SEK –102m (–1,347). The improvement in cash flow from investing activities is mainly the result of significant one-off cash outflows in the first half of 2012. In the first half of 2012 net proceeds from the acquisition of Cloetta for an amount of SEK 169m, as well as repayment of the Vendor Loan Note of SEK –1,400m and proceeds from the disposals of LEAF Belgium Distribution and LEAF Ejendomsselskab for an amount of SEK 47m were included in cash flow from investing activities.

FINANCIAL POSITION

Consolidated equity at 30 June 2013 amounted to SEK 3,444m (3,317), which is equal to SEK 11.9 per share (11.6). Net debt at 30 June 2013 was SEK 3,244m (3,196).

Non-current borrowings totalled SEK 2,390m (2,733) and consisted of SEK 2,435m (2,796) in gross loans from credit institutions and SEK –45m (–63) in capitalised financing costs.

Total current borrowings amounted to SEK 903m (516) and consisted mainly of SEK 360m (360) in gross loans from credit institutions, SEK –21m (–16) in capitalised financing costs, and SEK 564m (172) in a credit overdraft facility.

The short-term gross loans from credit institutions consist of a short-term repayment obligation for the remainder of 2013 and the first half year of 2014.

SEKm	30 Jun 2013	30 Jun 2012	31 Dec 2012
Gross non-current borrowings	2,435	2,796	2,571
Gross current borrowings	360	360	360
Credit overdraft facility	564	172	406
Derivative financial instruments	24	23	24
Interest payable	–	–	1
Gross debt	**3,383**	**3,351**	**3,362**
Cash and cash equivalents	–139	–155	–306
Net debt	**3,244**	**3,196**	**3,056**

Cash and cash equivalents at 30 June 2013, excluding long-term unutilised overdraft facilities, amounted to SEK 139m (155).

In addition to the above financing, Cloetta has unutilised overdraft facilities for a total of SEK 145m (532).

OTHER DISCLOSURES

Restructuring

In 2012, decisions were made to close the factories in Aura, Finland, and in Alingsås and Gävle, Sweden, in order to eliminate excess capacity in the Group's production structure. A decision was also made to rationalise warehousing operations in Scandinavia. The factories in Alingsås, Sweden, and Aura, Finland, were closed at the end of 2012 and the beginning of 2013, respectively. The rationalisation of warehousing operations in Scandinavia was completed in early 2013.

Seasonal variations

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

Employees

The average number of employees during the quarter was 2,409 (2,561). The decrease is due to the merger, restructuring and closures of the Alingsås and Aura plants.

Introduction of a long-term share-based incentive plan

The Annual General Meeting approved the Board's proposal regarding the introduction of a long-term share-based incentive plan (LTI 2013). LTI 2013 covers 45 employees, consisting of the group management team and other key employees. To participate in LTI 2013, a personal shareholding in Cloetta is required.

Cash flow from operating and investing activities

	Second quarter		6 months		Full year
SEKm	Apr–Jun 2013	Apr–Jun 2012[1]	Jan–Jun 2013	Jan–Jun 2012[1]	Jan–Dec 2012
Cash flow from operating activities before changes in working capital	24	–20	44	–65	156
Cash flow from changes in working capital	–47	145	–83	155	174
Cash flow from operating activities	**–23**	**125**	**–39**	**90**	**330**
Cash flows from investments in property, plant and equipment and intangible assets	–54	–50	–108	–93	–269
Other cash flow from investing activities	–25	–1,372	6	–1,254	–1,237
Cash flow from investing activities	**–79**	**–1,422**	**–102**	**–1,347**	**–1,506**
Cash flow from operating and investing activities	**–102**	**–1,297**	**–141**	**–1,257**	**–1,176**

[1] The cash flow statement for Q1 and Q2 2012 has been restated after the final purchase price allocation.

Following a defined vesting period, the participants will be allocated class B shares in Cloetta free of charge provided that certain conditions are fulfilled. In order for so-called matching share rights to entitle the participant to class B shares in Cloetta, continued employment with Cloetta is required and the personal shareholding in Cloetta must be continuously maintained. In addition, allocation of class B shares on the basis of performance share rights requires the attainment of two performance targets, one of which is related to Cloetta's EBIT and the other to Cloetta's net sales value. The maximum number of class B shares in Cloetta which may be allocated under LTI 2013 shall be limited to 811,500 (subject to possible recalculation), representing approximately 0.3 per cent of the outstanding shares and 0.2 per cent of the outstanding votes. Total costs related to the LTI 2013 that are recognised in the second quarter amount to SEK 0.5m.

Cloetta entered into a long term equity swap to fulfil its future obligation to deliver the shares to the participants. The equity swap is measured at fair value. The equity swap is categorised at level 2 in the fair value hierarchy. For further information see "Accounting Policies" on page 16.

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.

Selection of key product launches during Q2

Sweden
God&Glad Choklad Kola
Läkerol Sparkling
Läkerol Black Diamond
Guldnougat 100 years

The Netherlands
Venco Tikkels Liquorice & Caramel

Italy
Saila Longfresh
Saila Menta Guarana
Chewits new range of gummy candy
Stevia sweetener zero calories

Finland
Sisu chewing gum
Malaco Aakkoset
Tupla minibites
Tupla Dark

Norway
Malaco Surisar
Malaco Kombis
Malaco Viva Lakrits

Travel Trade
Malaco Skipper´s pipes

The Board of Directors hereby gives its 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, 19 July 2013
Cloetta AB (publ)

Lennart Bylock
Chairman

Lilian Biner
Member of the Board

Hans Eckerström
Member of the Board

Håkan Kirstein
Member of the Board

Adriaan Nühn
Member of the Board

Robert-Jan van Ogtrop
Member of the Board

Mikael Svenfelt
Member of the Board

Olof Svenfelt
Member of the Board

Meg Tivéus
Member of the Board

Peter Törnquist
Member of the Board

Lena Grönedal
Employee Board member

Bengt Baron
President and CEO

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	Second quarter Apr–Jun 2013	Second quarter Apr–Jun 2012	6 months Jan–Jun 2013	6 months Jan–Jun 2012	Rolling 12 Jul 2012–Jun 2013	Full year Jan–Dec 2012
Net sales	1,131	1,212	2,258	2,296	4,821	4,859
Cost of goods sold	–696	–799	–1,401	–1,497	–3,061	–3,157
Gross profit	**435**	**413**	**857**	**799**	**1,760**	**1,702**
Other operating income	3	0	10	0	23	13
Selling expenses	–228	–270	–434	–492	–830	–888
General and administrative expenses	–156	–196	–321	–354	–669	–702
Operating profit	**54**	**–53**	**112**	**–47**	**284**	**125**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	–78	–9	–41	–5	–16	20
Other financial income	11	1	20	3	22	5
Other financial expenses	–54	–69	–109	–193	–206	–290
Net financial items	**–121**	**–77**	**–130**	**–195**	**–200**	**–265**
Profit/loss before tax	**–67**	**–130**	**–18**	**–242**	**84**	**–140**
Income tax expense	23	8	10	1	76	67
Profit/loss for the period	**–44**	**–122**	**–8**	**–241**	**160**	**–73**
Profit/loss for the period attributable to:						
Owners of the Parent Company	**–44**	**–122**	**–8**	**–241**	**160**	**–73**
Earnings per share, SEK						
Basic and diluted[1, 2, 3]	–0.15	–0.43	–0.03	–0.91	0.55	–0.26
Number of shares at end of period[2, 3]	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Average numbers of shares[2, 3]	288,619,299	285,633,017	288,619,299	263,507,881	288,619,299	276,132,021

1 Comparative earnings per share are not fully representative for the current group due to rights issue carried out in the second quarter of 2012.
2 The number of shares for the comparative figures has been restated for the rights issue.
3 Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contract to repurchase own shares.

Consolidated statement of comprehensive income

SEKm	Second quarter Apr–Jun 2013	Second quarter Apr–Jun 2012	6 months Jan–Jun 2013	6 months Jan–Jun 2012	Full year Jan–Dec 2012
Profit/loss for the period	**–44**	**–122**	**–8**	**–241**	**–73**
Other comprehensive income					
Remeasurement of defined benefit pension plans	30	–	67	–	–100
Income tax on remeasurement of defined benefit pension plans	–7	–	–15	–	30
Items that cannot be reclassified to profit or loss for the period	**23**	**–**	**52**	**–**	**–70**
Currency translation differences	201	–8	93	21	–68
Income tax on currency translation differences	–	–	–	–	–
Items that have been reclassified or can be reclassified to profit or loss for the period	**201**	**–8**	**93**	**21**	**–68**
Total other comprehensive income	**224**	**–8**	**145**	**21**	**–138**
Total comprehensive income, net of tax	**180**	**–130**	**137**	**–220**	**–211**
Total comprehensive income for the period attributable to:					
Owners of the Parent Company	180	–130	137	–220	–211

Items affecting comparability [1,3]

SEKm	Second quarter Apr–Jun 2013	Second quarter Apr–Jun 2012	6 months Jan–Jun 2013	6 months Jan–Jun 2012	Rolling 12 Jul 2012–Jun 2013	Full year[2] Jan–Dec 2012
Restructuring	–51	–100	–84	–118	–238	–272
Other	–	–3	–	–38	1	–37
Total	**–51**	**–103**	**–84**	**–156**	**–237**	**–309**
1 Corresponding line in the consolidated profit and loss account:						
Net sales	–	–	–	–	–1	–1
Cost of goods sold	–20	–14	–31	–29	–123	–121
Other operating income	3	–	10	–	23	13
Selling expenses	–4	–22	–4	–22	5	–13
General and administrative expenses	–30	–67	–59	–105	–141	–187
Total	**–51**	**–103**	**–84**	**–156**	**–237**	**–309**

2 Includes non-cash capital losses on the divestments of the distribution business in Belgium and Denmark Ejendomsselskab amounting to SEK 47m.
3 Excluding exchange rate differences.

Consolidated balance sheet

SEKm	30 Jun 2013	30 Jun 2012[1]	31 Dec 2012
Intangible assets	5,209	5,033	5,099
Property, plant and equipment	1,654	1,661	1,611
Deferred tax asset	43	429	473
Derivative financial instruments	3	–	–
Other financial assets	90	90	88
Total non-current assets	**6,999**	**7,213**	**7,271**
Inventories	873	725	773
Current receivables etc	768	817	955
Derivative financial instruments	2	–	–
Cash and cash equivalents	139	155	306
Total current assets	**1,782**	**1,697**	**2,034**
Assets held for sale	15	15	35
TOTAL ASSETS	**8,796**	**8,925**	**9,340**
Equity	**3,444**	**3,317**	**3,326**
Borrowings	2,390	2,733	2,516
Deferred tax liability	404	823	824
Derivative financial instruments	19	7	3
Provisions	409	349	463
Total non-current liabilities	**3,222**	**3,912**	**3,806**
Borrowings	903	516	747
Derivative financial instruments	10	16	21
Current liabilities	1,190	1,130	1,361
Provisions	27	34	79
Total current liabilities	**2,130**	**1,696**	**2,208**
TOTAL EQUITY AND LIABILITIES	**8,796**	**8,925**	**9,340**

1 The comparative figures have been adjusted for the impact of the early adoption of IAS19R. Reference is made to page 17 for a presentation of restate effects.

Consolidated statement of changes in equity

	6 months		Full year
SEKm	Jan–Jun 2013	Jan–Jun 2012[2]	Jan–Dec 2012
Equity at beginning of period	**3,326**	**–385**	**–385**
Profit/loss for the period	–8	–241	–73
Other comprehensive income	145	21	–138
Total comprehensive income	**137**	**–220**	**–211**
Transactions with owners			
Forward contract to repurchase own shares	–19	–	–
Share based payments	0	–	–
Capital contribution			
- Loan conversion	–	3,441	3,441
- Contingent capital contribution to cover tax exposure	–	81	81
Business combinations[1]	–	–667	–667
Convertible debenture loan	–	10	10
Rights issue	–	1,057	1,057
Total transactions with owners	**–19**	**3,922**	**3,922**
Equity at end of period	**3,444**	**3,317**	**3,326**
1 The amount reported for business combinations in 2012 consists of:			
- The assessed value of the acquired Cloetta company		833	833
- The issue in kind of class C shares (see change in equity of Parent Company)		2,556	2,556
- The hypothetical repurchase of shares (reverse acquisition)		–4,056	–4,056
		–667	–667

2 The comparative figures have been adjusted for the impact of the early adoption of IAS19R. Reference is made to page 17 for a presentation of restate effects.

Consolidated cash flow statement

	Second quarter		6 months		Full year
SEKm	Apr–Jun 2013	Apr–Jun 2012[1]	Jan–Jun 2013	Jan–Jun 2012[1]	Jan–Dec 2012
Cash flow from operating activities before changes in working capital	24	–20	44	–65	156
Cash flow from changes in working capital	–47	145	–83	155	174
Cash flow from operating activities	**–23**	**125**	**–39**	**90**	**330**
Cash flows from investments in property, plant and equipment and intangible assets	–54	–50	–108	–93	–269
Other cash flow from investing activities	–25	–1,372	6	–1,254	–1,237
Cash flow from investing activities	**–79**	**–1,422**	**–102**	**–1,347**	**–1,506**
Cash flow from operating and investing activities	**–102**	**–1,297**	**–141**	**–1,257**	**–1,176**
Cash flow from financing activities	**–96**	**1,200**	**–37**	**1,352**	**1,412**
Cash flow for the period	**–198**	**–97**	**–178**	**95**	**236**
Cash and cash equivalents at beginning of period	326	295	306	97	97
Cash flow for the period	–198	–97	–178	95	236
Exchange gains/losses on cash and cash equivalents	11	–43	11	–37	–27
Cash and cash equivalents at end of period	**139**	**155**	**139**	**155**	**306**

1 The cash flow statements for Q1 and Q2 2012 have been restated after the final purchase price allocation regarding the acquisition of the former Cloetta Group.

Key figures

SEKm	Second quarter Apr–Jun 2013	Apr–Jun 2012	6 months Jan–Jun 2013	Jan–Jun 2012	Full year Jan–Dec 2012
Profit					
Net sales	1,131	1,212	2,258	2,296	4,859
Net sales, change, %	–6.8	8.3	–1.7	6.2	4.3
Underlying net sales, change, %	–4.1	–3.0	–3.7	–2.4	–4.1
Gross margin, %	38.4	34.1	38.0	34.8	35.0
Underlying EBITDA	148	93	287	185	597
Underlying EBITDA margin, %	13.1	7.6	12.5	7.8	12.3
Depreciation	–43	–45	–86	–80	–167
Underlying EBIT	109	49	200	97	423
Underlying EBIT margin, %	9.6	4.0	8.7	4.1	8.7
Amortisation	–1	0	–1	–1	–1
Items affecting comparability[1]	–51	–103	–84	–156	–309
Operating profit (EBIT)	54	–53	112	–47	125
Operating profit margin (EBIT margin), %	4.7	–4.4	4.9	–2.1	2.6
Profit margin, %	–6.1	–10.7	–0.8	–10.5	–2.9
Financial position					
Working capital[2]	556	491	556	491	458
Capital expenditure	–54	–50	–108	–93	–269
Net debt	3,244	3,196	3,244	3,196	3,056
Capital employed[3]	7,155	6,918	7,155	6,918	7,066
Return on capital employed, % (Rolling 12 months)	4.4	4.0	4.4	4.0	1.9
Equity/assets ratio, %	39.2	37.4	39.2	37.4	35.6
Net debt/equity ratio, %	94.2	95.8	94.2	95.8	91.9
Return on equity, % (Rolling 12 months)	4.5	–3.8	4.5	–3.8	–2.2
Cash flow					
Cash flow from operating activities	–23	125	–39	90	330
Investments in non-current assets	–79	–1,422	–102	–1,347	–1,506
Cash flow after investments	–102	–1,297	–141	–1,257	–1,176
Cash conversion, %	62.5	48.1	61.6	50.8	54.9
Employees					
Average number of employees	2,409	2,561	2,408	2,603	2,579

1 Excluding exchange differences effect.
2 Adjusted for amended definition (see page 18).
3 Capital employed is restated.

Quarterly data

SEKm	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Profit and loss account									
Net sales	1,131	1,127	1,404	1,159	1,212	1,084	1,371	1,124	1,120
Cost of goods sold	–696	–705	–930	–730	–799	–698	–911	–679	–693
Gross profit	**435**	**422**	**474**	**429**	**413**	**386**	**460**	**445**	**427**
Other operating income	3	7	9	4	0	0	1	0	0
Selling expenses	–228	–206	–211	–185	–270	–222	–248	–203	–243
General and administrative expenses	–156	–165	–190	–158	–196	–158	–129	–113	–110
Operating profit/loss (EBIT)	**54**	**58**	**82**	**90**	**–53**	**6**	**84**	**129**	**74**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	–78	37	39	–14	–9	4	–10	–2	–9
Other financial income	11	9	2	0	1	2	3	3	2
Other financial expenses	–54	–55	–51	–46	–69	–124	–134	–139	–154
Net financial items	**–121**	**–9**	**–10**	**–60**	**–77**	**–118**	**–141**	**–138**	**–161**
Profit/loss before tax	**–67**	**49**	**72**	**30**	**–130**	**–112**	**–57**	**–9**	**–87**
Income tax expense	23	–13	83	–17	8	–7	181	–4	23
Profit/loss for the period	**–44**	**36**	**155**	**13**	**–122**	**–119**	**124**	**–13**	**–64**
Profit/loss for the period attributable to:									
Owners of the Parent Company	–44	36	155	13	–122	–119	124	–13	–64
Underlying EBIT[1]	109	91	201	124	51	47	194	152	106

1 Restated at new constant exchange rate.

Parent Company

Summary parent company profit and loss accounts

	Second quarter		6 months		Full year
SEKm	Apr–Jun 2013	Apr–Jun 2012	Jan–Jun 2013	Sep 2011–Jun 2012	Sep 2011–Dec 2012
Net sales	20	17	31	38	72
Cost of goods sold	–	0	–	0	0
Gross profit	**20**	**17**	**31**	**38**	**72**
Other operating income/expense	4	0	10	–1	–2
General and administrative expenses	–30	–24	–61	–54	–110
Operating profit/loss	**–6**	**–7**	**–20**	**–17**	**–40**
Net financial items	–14	–14	–22	–27	38
Profit/loss before tax	**–20**	**–21**	**–42**	**–44**	**–2**
Appropriations	–	–	–	–	4
Income tax expense	5	5	10	11	–2
Profit/loss for the period	**–15**	**–16**	**–32**	**–33**	**0**

Summary parent company balance sheets

SEKm	30 Jun 2013	30 Jun 2012	31 Dec 2012
ASSETS			
Non-current asset	**4,625**	**4,633**	**4,633**
Current assets	**105**	**359**	**156**
TOTAL ASSETS	**4,730**	**4,992**	**4,789**
EQUITY AND LIABILITIES			
Equity	**4,184**	**4,183**	**4,216**
Untaxed reserves	**–**	**4**	**–**
Non-current liabilities			
Borrowings	233	676	343
Provisions	–	1	0
Total non-current liabilities	**233**	**677**	**343**
Current liabilities			
Borrowings	216	–	214
Current liabilities	97	128	16
Total current liabilities	**313**	**128**	**230**
TOTAL EQUITY AND LIABILITIES	**4,730**	**4,992**	**4,789**
Pledged assets	4,623	4,619	4,623
Contingent liabilities[1]	3,085	2,825	2,945

1 The company issued a parent company guarantee pursuant to article 403, book 2 of the Dutch Civil Code in respect to Cloetta Holland B.V. and Cloetta Finance Holland B.V.

Parent company statement of changes in equity

SEKm	Jan 2013 –Jun 2013	Sep 2011 –Jun 2012	Sep 2011 –Dec 2012
Equity at beginning of period	4,216	592	592
Profit/loss for the period	–32	–33	0
Rights issue	–	1,057	1,057
Issue in kind of class C shares, acquisition of LEAF Holland B.V.	–	2,556	2,556
Convertible debenture loan	–	11	11
Equity at end of period	**4,184**	**4,183**	**4,216**

Disclosures, risk factors and accounting policies

DISCLOSURES

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 1 January to 30 June 2013. Net sales in the Parent Company reached SEK 31m (38) and referred mainly to intra-group services. Operating profit was SEK –20m (–17). Net financial items totalled SEK –22m (–27). Profit before tax was SEK –42m (–44) and profit after tax was SEK –32m (–33). Cash and cash equivalents and short-term investments amounted to SEK 0m (7).

The Cloetta share

During the period from 1 January to 30 June 2013, a total of 105,540,887 shares were traded for a combined value of SEK 1,747m, equal to around 38 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 January to 30 June 2013 was SEK 20.10 and the lowest was SEK 13.30. The share price on 30 June 2013 was SEK 18.10 (last price paid). During the period from 1 January to 30 June 2013, the NASDAQ OMX Stockholm PI index rose by 5 per cent.

Cloetta's share capital at 30 June 2013 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares, equal to a quota value of SEK 5 per share.

Shareholders

On 30 June 2013 Cloetta AB had 5,238 shareholders. The principal shareholder was AB Malfors Promotor, with a holding corresponding to 40.8 per cent of the votes and 22.5 per cent of the share capital in the company. Other institutional investors held 52.4 per cent of the votes and 68.6 per cent of the share capital.

Cidron Pord S.á.r.l., which is owned by Nordic Capital Fund V, held shares corresponding to 9.5 per cent of the votes and 12.5 per cent of the share capital, and Godis Holdings S.á.r.l., which is owned by funds under the advisorship of CVC Capital Partners, held shares corresponding to 7.5 per cent of the votes and 9.9 per cent of the share capital in the company.

Related party transactions

AB Malfors Promotor, Cidron Pord S.á.r.l. and Godis Holdings S.á.r.l are considered to be related parties. Yllop Holding S.A. was considered to be a related party until the second quarter 2012.

Buying and selling of goods and services between Cloetta and the principal shareholders are regarded as related party transactions. During the first quarter Cloetta AB sold a property to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, for a value of SEK 6m, generating a profit of SEK 3m. The property was sold at market value.

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 January to June 2013 amounted to SEK 31m (37), equal to 100 per cent of each period's total sales. At 30 June 2013 the Parent Company's receivables from subsidiaries amounted to SEK 88m (255) and liabilities to subsidiaries amounted to SEK 79m (97). Transactions with related parties are priced on market-based terms.

During the second quarter the long-term share-based incentive plan (LTI 2013) as approved during the Annual General Meeting was introduced. Total costs related to the LTI 2013 that are recognised in the second quarter amounts to SEK 0.5m whereof SEK 0.1m is related to group management.

Segment reporting

An operating segment is an identified part of a group that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available. The results of operating segments are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its short- and long-term financial performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The CEO, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

In the Cloetta Group, four regions (Finland, Scandinavia, Middle and South) have been identified as the Group's operating segments. The vast majority of sales take place within the sugar confectionery markets of Western Europe, which are comparable. It is management's goal to optimise production efficiency through homogeneity in the production processes in the Group's different production facilities, regardless of their locations. Because the Group has only sales in the segments for sugar confectionery, chocolate products, chewing gum and pastilles, the Group's markets and types of customers are similar. Furthermore, the Group has an integrated distribution network and supply chain organisation. The identified operating segments are therefore assessed to have similar economic characteristics.

As a result of the similarities between the different regions, the operating segments have been aggregated into one reportable segment for purposes of financial reporting.

Acquisition of FTF Sweets Ltd

The purchase price allocation (PPA) regarding the acquisition of 100 per cent shares of FTF Sweets Ltd on 20 May 2013 was finalised during the quarter. The PPA adjustments have no material impact on balance sheet, net sales, operating profit and profit/loss for the period.

Taxes

In the first half year of 2013 no major events have taken place with an impact on the Group's effective tax rate. The effective tax rate for the first half year of 2013 is 54.9 per cent, compared to 47.6 per cent for the full year 2012. Cloetta's deferred tax balances have been measured according to the enacted tax rates.

RISK FACTORS

Cloetta is an internationally active company that is exposed to a number of market and financial risks. All identified risks are monitored continuously and, if needed, risk mitigating measures are taken to limit their impact. The most relevant risk factors are described in the annual report for 2012 and consist of industry and market-related risks, operational risks and financial risks. Compared to the annual report for 2012, which was issued on 15 March 2013, no new risks have been identified.

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 2013. 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 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. The only items recognised at fair value after initial recognition are the single currency interest swaps categorised at level 2 of the fair value hierarchy in all periods presented, the equity swap related to the Long Term Incentive plan categorised at level 2 and the contingent earn-out liability related to the acquisition of FTF Sweets Ltd. categorised at level 3, as well as assets held for sale. The fair values of the financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to their carrying amounts.

The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value derived is compared to the carrying amount.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as per 30 June 2013

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
• Single Currency Interest Swap	–	5	–	5
Total Assets	–	5	–	5
Liabilities				
Financial liabilities at fair value through profit and loss				
• Single Currency Interest Swap	–	10	–	10
• Equity Swap	–	19	–	19
• Contingent Earn-out Liability	–	–	11	11
Total Liabilities	–	29	11	40

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2. The valuation of the instruments is based on quoted market prices but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included in level 2. The fair value measurement of the earn-out liability requires use of significant unobservable inputs and are thereby categorised at level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates on the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

For the single currency interest swaps and the equity swap, reference is made to the financial position paragraph on page 5.

For detailed information about the accounting policies, see Cloetta's annual report for 2012 at www.cloetta.com.

Key impact on financial information due to change in accounting policy

IAS 19R is applied with effect from 1 January 2012. As a consequence of the application of IAS 19R, the comparative figures as per 30 June 2012 have been restated for equity of SEK –19m, other provisions of SEK 25m and deferred tax assets of SEK 6m.

Changed accounting standards

The company has applied the revised IAS 1 and IFRS 13 with effect from the first quarter 2013. The changes in these standards have not had any impact on recognition or measurement, but have affected the presentation of Other Comprehensive Income and some additional disclosure requirements through the revision of IAS 34. The changes in IFRS 10, IFRS 11 and IFRS 12 which have been endorsed by the EU and are effective as of 1 January 2014 have not yet been adopted by the company.

Changes in contingent liabilities

During the second quarter of 2013 the company issued a parent company guarantee pursuant to article 403, Book 2 of the Dutch Civil Code in respect to Cloetta Holland B.V. and Cloetta Finance Holland B.V.

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.
Margins	
EBIT margin	EBIT expressed as a percentage of net sales.
EBITDA margin	EBITDA expressed as a percentage of net sales.
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating margin	Operating profit expressed as a percentage of net sales.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.
Return	
Cash conversion	Underlying EBITDA less capital expenditures as a percentage of underlying EBITDA.
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.
Capital structure	
Capital employed	Total assets less interest-free liabilities (including deferred tax).
Equity/assets ratio	Equity at the end of the period as a percentage of total assets.
Interest-bearing liabilities	Total non-current and current borrowings, including pensions and other long-term employee benefits.
Gross debt	Gross current and non-current borrowings, credit overdraft facility, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.
Third-party borrowings	Total non-current and current borrowings excluding loans to former shareholders and finance lease liabilities.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.
Data per share	
Earnings per share	Profit for the period divided by the average number of shares.
Other definitions	
EBIT	Operating profit or earnings before interest and taxes.
EBITDA	Operating profit before depreciation and amortisation.
Items affecting comparability	Items affecting comparability refer to non-recurring items.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.
Underlying net sales, EBIT, EBIT margin	The underlying figures are based on constant exchange rates and the current structure (excluding the distribution business in Belgium and a third-party distribution agreement in Italy) and excluding items affecting comparability. Includes the former Cloetta's historical financial values for better comparability.

Exchange rates

	30 Jun 2013	30 Jun 2012	31 Dec 2012
EUR, average	8.5286	8.8800	8.6958
EUR, end of period	8.7700	8.7650	8.5750
NOK, average	1.1335	1.1734	1.1643
NOK, end of period	1.1161	1.1625	1.1667
GBP, average	10.0385	10.8240	10.7435
GBP, end of period	10.2453	10.8841	10.5215
DKK, average	1.1438	1.1944	1.1682
DKK, end of period	1.1759	1.1792	1.1495

Financial calendar

2013	Jan		
	Feb	Year-end report 2012	15 February 2013
	Mar		
	Apr	Interim report Q1 2013	29 April 2013
	May		
	Jun		
	Jul	Interim report Q2 2013	19 July 2013
	Aug		
	Sep		
	Oct		
	Nov	Interim report Q3 2013	14 November 2013
	Dec		
2014	Jan		
	Feb	Year-end report 2013	14 February 2014

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 11:30 a.m. CET on 19 July 2013.

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About Cloetta

Cloetta, founded in 1862, is a leading confectionery 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 10 production units in five countries. Cloetta's class B shares are traded on NASDAQ OMX Stockholm.

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