Cloetta

Annual report 2012

Contents

Contents – Financial information

The annual report for Cloetta AB (publ) 556308-8144 consists of pages 53–77 and the financial statements on pages 78–129. The annual report is published in both Swedish and English, where the Swedish version is the original and has been audited by the auditors of Cloetta.

Highlights of 2012

Examples of new product launches during the year

Sportlunch Power Break, a chocolate countline with a taste of toffee and hazelnuts (Sweden), **Sperlari**, a fruit pastille in a new package (Italy), **Mynthon** chewing gum, a whole new product under the brand (Finland), **Viva Lakrits**, a liquorice product under the **Malaco** brand (Sweden), **Jenkki Juicy Cube**, fruit-flavoured xylitol chewing gum (Finland), **Läkerol Seasalt**, throat lozenges with a taste of sea salt (Sweden), **Venco Tikkels**, a mix of liquorice and fruit-flavoured drops (the Netherlands), **Sportlife Snowd**, new flavours of chewing gum (the Netherlands), and **Saila Balsamica**, a pastille based on essential oils without sugar or artificial colours in a practical package (Italy).

Q1

- An extraordinary general meeting approves the acquisition of LEAF and elects a new Board of Directors. The merger between Cloetta and LEAF is carried out and a new Group Management Team is appointed.
- Cloetta sells its distribution operations in Belgium.

Q2

- Cloetta's rights issue is fully subscribed and Cloetta's share capital is increased by SEK 494m to SEK 1,443m.
- Decisions are made to close the factories in Aura, Finland, and Alingsås, Sweden, and Gävle, Sweden and to rationalise warehouse operations.

Q3

- NASDAQ OMX Stockholm decides to move Cloetta from the Small Cap to the Mid Cap segment.
- Restructuring of the sales and marketing organisation in Sweden as a result of the merger.

Q4

- At the request of AB Malfors Promotor, Cloetta converts 1,938,386 class A shares to class B shares, after which the number of votes in the company has decreased by 17,445,474.

Quarterly data

SEKm	2012	Q4	Q3	Q2	Q1	2011	Q4	Q3	Q2	Q1
Net sales	4,859	1,404	1,159	1,212	1,084	4,658	1,371	1,124	1,120	1,043
Underlying net sales[1]	5,028	1,431	1,195	1,206	1,196	5,242	1,545	1,235	1,243	1,219
EBITA	125	80	92	–54	7	373	90	133	72	78
EBITA margin, %	2.6	5.7	7.5	–4.4	0.6	8.0	6.6	11.9	6.4	7.5
Underlying EBITA[1]	439	208	128	53	50	548	202	159	113	74
Underlying EBITA margin, %[1]	8.7	14.6	10.7	4.4	4.2	10.5	13.1	12.9	9.1	6
Operating profit	125	82	90	–53	6	360	84	129	74	73
Profit before tax	–140	72	30	–130	–112	–240	–57	–9	–87	–87
Profit for the period	–73	155	13	–122	–119	–68	124	–13	–64	–115
Earnings per share, basic and diluted, SEK	–0.26	0.54	0.05	–0.43	–0.57	–0.26	0.47	–0.05	–0.26	–0.49
Cash flow from operating activities	330	147	93	125	–35	492	45	164	143	140

1) Based on constant exchange rates and the current structure (excluding the distribution business in Belgium and third-party distribution in Italy) and excluding items affecting comparability. Includes the former Cloetta's financial history for better comparability.

For definitions see page 136.

This is Cloetta

Founded by the three Cloetta brothers in **1862**

The **10** largest **brands** account for around **60%** of sales.

Own skilled and knowledgeable sales organisation in the Nordic region, the Netherlands and Italy. Sales in **50** countries.

Underlying net sales of SEK **5,028**m.
Underlying EBITA of SEK **439**m.

2,600 employees in **12** countries. Production at **10** factories in **5** countries.

Listed on NASDAQ OMX Stockholm.

Leading market positions with local brands in **6** countries in

- sugar confectionery
- chocolate products
- pastilles and chewing gum

A year of change – positioning Cloetta to capture new opportunities

Without a doubt, 2012 was a very active and exciting year as we brought about the formation of the new Cloetta. The merger between Cloetta and LEAF, completed in February 2012, created a stronger foundation and positioned the joint company for a successful future.

The rationale for the merger was clear. The complementing portfolios of strong brands, the geographic fit, the scope for synergy gains and the potential for restructuring all made perfect strategic sense.

MORE STRONG BRANDS

Confectionery is an impulse-driven category of shopping, a fact that makes recognised, desirable and powerful brands of the utmost importance. Cloetta has many high profile consumer brands, several of which have traditions dating back to the 1800s and strong local ties. Examples of these include Läkerol, Red Band, Sperlari, Kexchoklad, Jenkki, Malaco, and Venco. Today, Cloetta has a more complete portfolio than ever before, which makes the company a more attractive partner to the retail trade thanks to our wider and deeper category coverage and expertise.

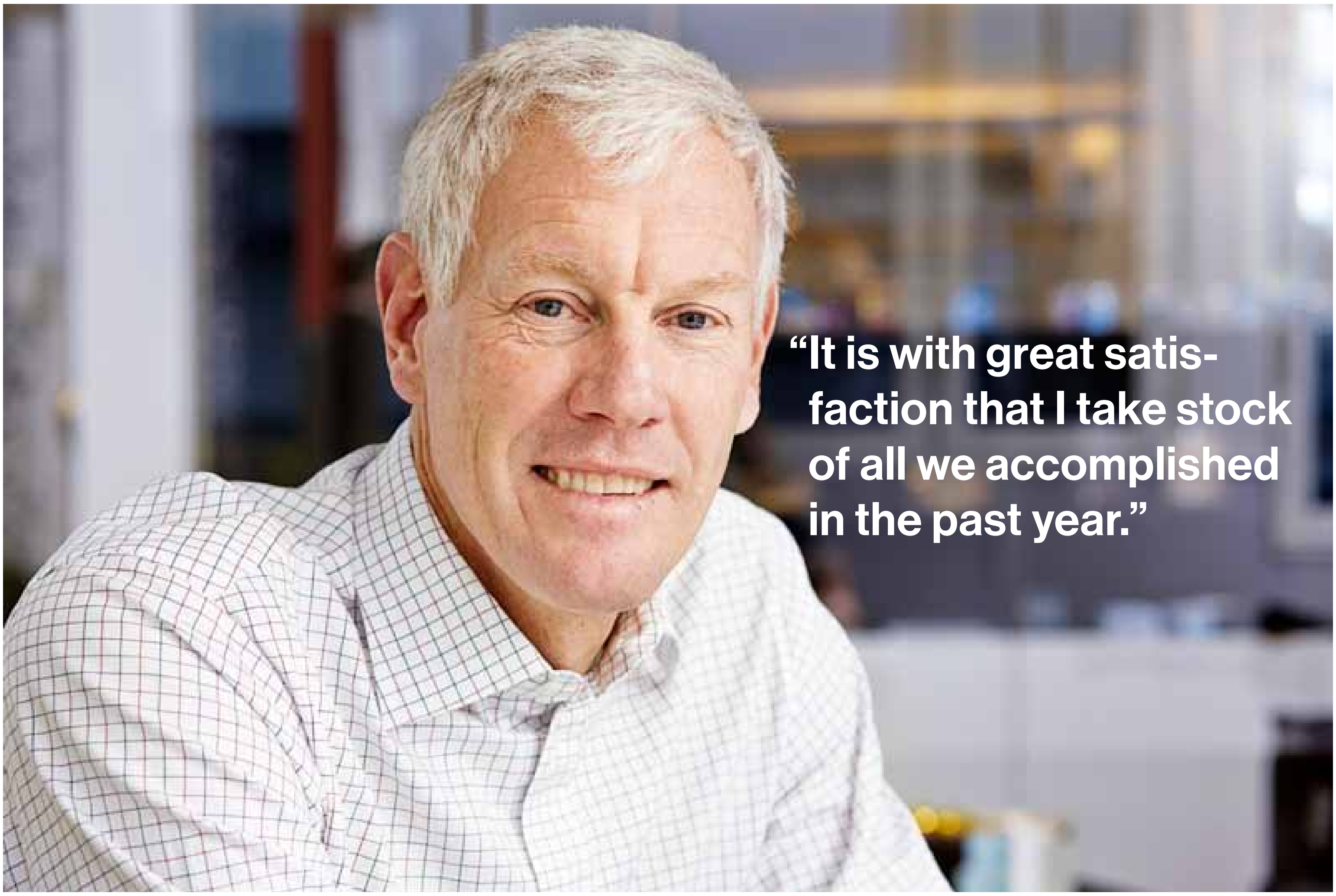
The geographic fit was also perfect. The two organisations serving the Swedish market provided major opportunities for cost savings and the Leaf organisations in Norway, Denmark and Finland were able to take on the business activities that were previously outsourced to distribution partners. The other Leaf markets present opportunities for the geographic rollout of chocolate products and brands in the longer term.

NECESSARY RATIONALISATIONS

Following the merger, the company announced its intention to close three plants in order to realise significant cost savings. The confectionary market in Western Europe is mature and fiercely competitive, an environment where a high level of cost effectiveness is critical. Although it is always painful to make decisions of this type, it is necessary if Cloetta is to maintain its competitiveness.

The merger of the two organisations, coupled with the closure of the Slagelse factory, will generate annual savings of SEK 110 million when fully realised. The factory restructuring, which is an ambitious project involving the relocation of 40% of all products, will provide another SEK 100 million in savings when completed. These are large-scale undertakings, but things are progressing smoothly and I am convinced that we will be able to deliver the full cost savings towards the end of 2014.

The merger was partly financed through a successful rights issue. The long-term targets to achieve an underlying EBITA margin of at least 14 per cent, solid earnings growth and strong cash flows from operating activities, which will be used to reduce net debt over the next couple of years, and thereafter distribute 40–60 per cent of profit after tax as dividends were deemed attractive by the investors.



CONTINUED FOCUS ON SUSTAINABILITY

In a wider context, it is also vital to ensure that we contribute to a sustainable future. As a company that buys raw materials on the global market, we need to make sure that our goods are produced and transported in a responsible way. In the past year we improved our environmental performance per produced tonne. We have also continued our participation in several organisations aimed at promoting more environmentally friendly cultivation of raw materials and improving the conditions for growers in developing countries. Our Corporate Responsibility Report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines as we strive to meet international standards.

MAJOR EXTERNAL CHALLENGES

It is with great satisfaction that I take stock of all we accomplished in the past year. However, we work in a very challenging external environment. Several of our markets and segments are currently facing adverse conditions with limited or no growth. In addition, raw material and packaging prices remain very high. This is especially true for sugar, which has an artificially high price in Europe due to the existing quota system in the EU. We have been forced to pass on these higher costs through price increases, which is never easy, given the consolidated retail trade in our core markets. In the end, the consumers will have to pay for the increased raw material costs.

In 2012 Cloetta had to handle many activities in addition to our daily business, including the formation of a new company, establishing it in the public arena, setting up a governance structure, managing the integration and launching an ambitious restructuring effort. As we move ahead and complete more and more of these activities, we can once again focus entirely on driving the business and developing our portfolio of fantastic brands.

MUNCHY MOMENTS

Looking to the future, we have also reviewed our vision for Cloetta. The common denominator for successful companies is often something more than excellent product quality and cost efficiency. It is the commitment to a common vision, and the sense of belonging that is inspired by defining the company's role in society at large. For us at Cloetta, it goes beyond producing delicious confectionery, chocolates, pastilles and chewing gum. It is actually about being part of special moments – all of those moments when our consumers want to take a break, reward themselves, re-energise, enjoy themselves alone or share with friends. We call these occasions between meals Munchy Moments. Cloetta intends to be part of, and bring a smile to, all of these Munchy Moments with our current and future offering.

Our new vision – to be the most admired satisfier of Munchy Moments – together with our values of Focus, Teamplay, Passion and Pride provide a firm foundation for our business. They will guide us in meeting our targets, fulfilling our commitment to the market, both attracting and retaining employees and continuing to meet consumer needs in an ever-changing environment.

Every step along the way in our day-to-day business, the merger process and the factory restructuring has been achieved through the tireless efforts of our team, going the extra mile to ensure that both customers and consumers are satisfied every single day. In 2012 Cloetta asked a lot from its employees and they responded in a outstanding way that gives me great optimism for the future!

Thank you all!

Stockholm, March 2013

Bengt Baron
President and CEO

Vision

To be the most admired satisfier of Munchy Moments

Mission

To bring a smile to your Munchy Moments

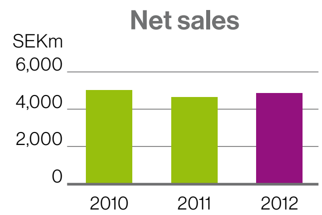
The vision, together with the goals and strategies, express Cloetta's business concept.

Long-term financial targets

Organic sales growth

▶ **Cloetta's long-term target is to increase organic sales at least in line with market growth.**

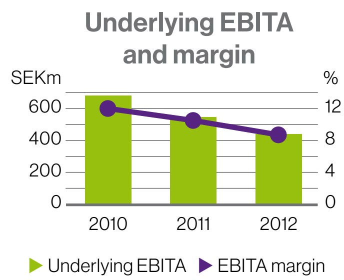
Comments on the year's outcome: Historically, total annual growth in the markets where Cloetta is active has been around 2 per cent during the period 2000–2011. 2012 was the first year when certain individual markets and segments decreased or were essentially unchanged. This contributed to negative underlying sales growth during the year. From an accounting standpoint, however the merger between Cloetta and LEAF meant that growth during the year reached 4.3 per cent.



EBITA margin

▶ **Cloetta's target is an underlying EBITA margin of at least 14 per cent.**

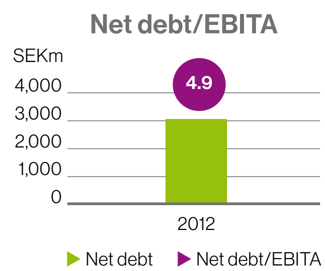
Comments on the year's outcome: The goal is to meet this target after the full cost and efficiency synergies from the merger and the production restructuring have been realised. Weak market development and a resulting drop in sales, higher raw material costs and certain temporary costs in production contributed to a lower underlying EBITA margin. The underlying EBITA margin in 2012 was 8.7 per cent.



Net debt

▶ **Cloetta's long-term target is a net debt/EBITA ratio of around 2.5.**

Comments on the year's outcome: Cloetta has a higher net debt at present but is expected to meet this target within two to three years from the merger through earnings growth and strong cash flows. In 2012, SEK 358m was amortised.



Dividend policy

▶ **Cloetta's long-term intention is a dividend payout of 40–60 per cent of profit after tax.**

Comments on the year's outcome: The primary focus at present is on reinvesting the cash flow in order to further strengthen competitiveness through rationalisations, product development, marketing initiatives and amortisation of bank loans. No dividend is expected to be paid for a period of two to three years after the merger.

Strategies and activities

Focus on margin expansion and volume growth

- Strong brands with local traditions.
- Strong position in the Nordic market.
- Broaden and spread the product portfolio geographically.
- Launch and acquire new products and brands.
- Strategic pricing.

Main activities in 2012–2013

- Capitalise on the strong local brands through brand extension and synergies in the various markets.
- Raise prices to compensate for higher raw material costs.
- Product development.
- Utilise existing concepts and ideas in new markets.
- Make use of strong positions in the various markets to develop the chocolate confectionery brands.

The long-term goal is to increase organic sales at least in line with market growth.

Focus on cost-efficiency

- Realise synergies from the merger.
- Improve internal processes and systems.
- Improve cost-efficiency by closing factories and rationalising warehouse operations in Scandinavia.
- Increase the breadth in production technology to create flexibility in product development.

Main activities in 2012–2013

- Restructuring of the commercial organisation in Sweden.
- Third-party distributed products taken over in Finland, Norway and Denmark.
- Closure of the factory in Slagelse, Denmark.
- Closure of the factory in Alingsås, Sweden.
- Closure of the factory in Aura, Finland.
- Preparations to relocate production in Gävle, Sweden, to Ljungsbro, Sweden, and Levice, Slovakia.
- Insourcing of third-party products.
- Rationalisation of warehouse operations in Scandinavia completed.

The merger will generate annual savings of approximately SEK 110m at the EBITDA level with full effect after two years. The factory rationalisations will create savings of around SEK 100m at the EBITDA level with full effect in the second half of 2014.

Focus on employee development

- Create a uniform culture.
- Attract, develop and retain competent employees.
- Learn from each other.

Main activities in 2012–2013

- Joint organisation created in Sweden/Scandinavia.
- New vision, mission and values communicated.
- Leadership tools (“Management drives”) and training.

Strong brands

Cloetta's greatest asset is its extensive portfolio of strong brands that are well established in the consumer consciousness. Several of the brands have traditions dating back to the mid 1800s or early 1900s and powerful local ties. Many, such as Läkerol, Red Band, Sperlari and Kexchoklad, are among the best known product brands in their respective markets.

Cloetta's ten largest brands account for around 60 per cent of sales. Growth of the brands is promoted through continuous development and support. Product innovation, packaging development and marketing are all designed to ensure value growth and strengthen consumer loyalty. Read more about our leading product brands on pages 14–17.

NEEDS SEGMENTATION

Consumers choose brands according to need and consumption occasion. Cloetta's portfolio includes products for:

- Moments that create luxury in everyday life and provide pleasure and enjoyment, such as Ahlgrens bilar, Red Band and Sperlari.
- Energy between meals, such as Kexchoklad and Sportlunch.
- Health, such as xylitol chewing gum like Jenkki and XyliFresh.
- Sore throat or fresh breath, such as Läkerol and King.

BRAND BUILDING

Investments in the brands and marketing are a prioritised area for Cloetta. Because the confectionery market is impulse-driven, strong brands facilitate consumer choices.

Cloetta has longstanding experience of building and fostering brands. In a mature market where discount players and the retail trade's private labels are exerting pressure on prices, strong brands are crucial for success and organic growth.

However, strong brands in themselves are no guarantee of volume growth. Building a brand means continuously vitalising the brand's personality. In order for a brand to remain attractive and defend or advance its market position, it must be supported and further developed through effective marketing and appealing product innovations. Good availability and visibility in the retail trade are also important, for which reason cooperation with retailers and development of good packaging and ideas for how to display the brands are fundamental for brand building.

Cloetta further develops its brands

Awareness and loyalty

Tools to strengthen

- Increased awareness through advertising, PR and sponsorship.

Challenges

- Improve the use of social media.

Development

Tools to strengthen

- Product development/innovation.
- Package development.

Challenges

- Coordination of development between markets and brands.

Availability

Tools to strengthen

- Large and competent sales force.
- Complete product range in the stores.

Challenges

- New channels to reach consumers.
- New sales solutions adapted to different customers.

MARKETING

Effective and well planned marketing, from advertisements to in-store promotion, stimulate consumer awareness of and demand for Cloetta's products.

Cloetta's marketing is primarily local in nature and is tailored to each brand's strategy and position. The ambition for Cloetta's marketing is to be visible and noticeable in all places where consumers are found in order to maximise the consumer interface. Through marketing, the brands are enhanced and consumer awareness and knowledge of the brands are increased. Cloetta's marketing is characterised by image-creating brand advertisements in the mass media, sponsorship and events directed to selected target groups. Media initiatives are normally combined with sales promotional activities in the stores.

To a greater extent than earlier, Cloetta will use the social media to develop consumer loyalty to the brands and promote interaction with consumers.

Marketing activities are targeted and followed up via two tools: DSI (Digital Sentiment Index) is a metric that summarises the brands' online presence and NPS (Net Promotor Score) continuously measures different aspects of the customer and consumer experience linked to profitability, loyalty and recommendation. The purpose of these tools is to quickly monitor the success of individual activities in the various markets.

PRODUCT RANGE DEVELOPMENT

For confectionery, where the buying decision is most often made at the point of sale, availability and visibility are critical. An active and competent sales force that works closely with its customers in the various sales channels creates added value for both the retail trade and Cloetta.

Cloetta can now offer a more comprehensive product range consisting of sugar and chocolate confectionery, pastilles and chewing gum, which is an advantage for retailers. Cloetta has a very strong sales organisation in its main markets and will continue to be an innovative and tone-setting player in these.

KNOWLEDGE AND CREATIVITY

One central part of marketing activities is to follow up and analyse changes in consumption patterns. A thorough knowledge of consumers and trends is essential for effective product development and marketing. Cloetta's continued success depends on the employees' creativity and expertise. Through ongoing skills development and the systematic use of joint processes for development and creativity, the brands can be further enhanced on all levels.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

To prevent infringement of its intellectual property rights, Cloetta uses a monitoring service and is alerted about applications for registration of brands, both nationally and internationally, that are identical or confusingly similar to Cloetta's key brands.

For example, Kexchoklad has had a design patent for many years and the name Kexchoklad has had brand protection since 2007.

Tupla – development of a strong brand

Example of brand extension

Tupla, a chocolate-covered cocoa nougat bar with roasted almonds, is Finland's top-selling chocolate countline. In recent years, Cloetta has utilised the strength of the brand by diversifying the brand and launching waffles under the name Tupla Shuffle.

6 distinct consumer trends

Genuine raw materials

There is a continued interest in natural and genuine raw materials. Additives of various types and chemically produced substances are being questioned in favour of natural materials. E numbers are being replaced with the name of the additive in plain language. Natural sugar is preferred over chemical sweeteners.

Treating ourselves

Many people lead stressful lives and want an occasional break to take a moment for themselves, be happy, enjoy and treat themselves to something special.

On-the-go

We are increasingly eating outside the home on our way to and from different activities. Greater availability and practical packaging solutions allow consumers to satisfy their needs immediately.

Responsibility for the environment and working conditions

One key trend is an interest in the effects of food production on the environment and social conditions. Suppliers and retailers have responded to consumer demands for information, above all about the raw materials' origins, quality and cultivation methods, by introducing different types of labelling and certification.

Health and functional confectionery

People are increasingly seeking raw materials with positive health effects. Cocoa and xylitol are two good examples. In 2012 Cloetta launched products with stevia-extract, a sweetener that comes from nature and contains no calories.

Social media increasingly important

Direct communication with consumers via the social media is increasingly important in further developing the brands' personality.

Jenkki's page on Facebook.

Product development

One of Cloetta's foremost competitive advantages is the ability to further develop its brands by presenting attractive new products under existing brands. Product innovations are one of the confectionery industry's key drivers and strengthen Cloetta's offering to both customers and consumers.

PRODUCT INNOVATIONS DECISIVE

Today, new products account for a significant share of value growth in the confectionery market. An exciting product innovation sparks interest, which is vital for the development of impulse-driven products like confectionery. Because the confectionery market is relatively stable, appealing new products that stimulate consumer curiosity normally lead to increased sales.

One important success factor is therefore to regularly launch new and interesting products in segments where consumer demand is found, and to develop and modernise existing products. By continuously enhancing the product range and brands, Cloetta strengthens its competitiveness. An effective product development process is decisive for profitable growth.

Over the years, Cloetta has carried out several highly successful brand developments by using new sizes and flavours, so called line extension, for example under the Ahlgrens bilar and Kexchoklad brands. Another example of brand development is when whole new products and designs are developed under an existing brand, so-called brand extension, such as Tupla Shuffle or Saila chewing gum. The relaunch of brands, like TOY chewing gum, has been well received by consumers.

NEW PRODUCT DEVELOPMENT PROCESS

Cloetta's product development is based on market trends, new consumer needs and how these can be best combined with existing brands.

In 2012 Cloetta established a new product development process that to a greater extent

The path to a new product

Market – consumer-driven

Launch

New product

Product development – innovation

Target group
- Who?
- Why?
- When?
- What?

Consumer
- Needs
- Preferences
- Ideas
- Feeling

Idea – concept
- Evaluation
- Market survey

Product solution
- Product development
- Packaging
- Packaging solution

Technical solutions
- Function in existing production lines.
- Exchange between the factories.
- Third-party production

Trends
- Collection of internal and external data
- Cooperation
- Technical development

combines consumer demand and needs with opportunities in production. Newly developed tools for idea and concept generation and continuous follow-up will create the conditions for Cloetta to be an even more innovation-driven company.

In order to systematically gather consumer feedback, in 2012 Cloetta created a Consumer Panel that provides views and ideas via the Internet. The ideas collected so far have been highly valuable for Cloetta's innovation work.

Cloetta has several ongoing development projects at all times. The process from concept to a product ready for launch normally takes around one year, but can be accelerated with the use of focused resources.

INNOVATIONS DRIVE GROWTH

Innovation is a key driver behind Cloetta's brands and enables differentiation in the market. Cloetta's innovation work and streamlining of the product development process create the conditions for future new product launches and relaunches.

TRENDS

Fashions and trends are found in all areas, even in the confectionery industry, where they are primarily related to colours, packages, new flavours and ingredients. Knowledge of trends in the market and consumer behaviour is necessary for development of successful product innovations. Market analysis and trend monitoring provide valuable data for the marketing department and careful market monitoring allows follow-up and analysis of changes in consumption patterns.

The confectionery market is increasingly focused on feeling and experience. The connection between design and product is becoming clearer, as is the importance of interaction with consumers via social media.

Natural ingredients and sustainability are other factors that are affecting the confectionery market to a growing extent. There is also a distinct trend towards treating ourselves to something special every now and then, and this probably explains why the health trend has not had any appreciable impact on confectionery consumption. Confectionery is eaten to add some luxury to everyday life and give ourselves a treat.

A FOCUS ON FLAVOUR

Packages and marketing can tempt consumers to try a new product, but if the flavour fails to measure up there is rarely a second purchase. It is therefore critical that the product innovations launched by Cloetta meet consumer requirements and expectations. The focus is on flavour when Cloetta develops new products.

Before a product is launched, it undergoes both internal and external taste tests via consumer panels that among other things assess its flavour, consistency and overall impression.

Without approval in the consumer test, the product will not be released on the market. A large bank of earlier tests and reference values facilitates the necessary assessment.

PACKAGE DEVELOPMENT

Aside from tasting good and being reasonably priced for consumers, a new product has to be commercially attractive to the retail trade. Its packaging and distribution must also be adapted to the respective sales channels and markets. With proper packaging, many brands that are strong in one market can also secure a good position in new markets. The important factors here are details like package size and weight, but also brand. By adapting the packaging design and brand to each market, but essentially offering the same product, it is possible to exploit scale economies in production. Package development also includes retail packaging.

Brand and portfolio development

Combination of brands and categories

Cloetta has strong brands in four categories; sugar confectionery, chocolate, pastilles and chewing gum. Cloetta works continuously to find new areas where there is consumer demand but where Cloetta has no products or brands. By launching existing brands in whole new categories or by using existing brands in new products within the same category, Cloetta can broaden its offering. In addition, old brands can be relaunched while at the same time satisfying demand for new flavours, sizes or packages.

Cloetta's leading brands

Ahlgrens bilar

Ahlgrens bilar, or "Sweden's best-selling car," is a fruit-flavoured foam that has been tasted by a large majority of the Swedish population. The fruit-flavoured version is the original.

Their good taste and elegant design – shared with the little Italian sports car Bugatti – have been unchanged since 1953. In recent years, new car models have been launched in flavours such as salt liquorice, milk chocolate and sweet & sour.

There is only one way to stop these fast-moving cars – in your mouth!

Sold in: Sweden, Norway and Finland.

Bridge

Bridge is a candy mix that was created when some employees were playing bridge during a lunch break in 1966. They ate a mixture of different tasty products that were made at the factory, and someone came up with the idea of launching the mix as a bag. Bridge is a ***classic candy experience*** where everyone can find their favourite – a generous mix of ten delightful personalities.

Sold in: Sweden, Norway and Denmark.

Center

Center has been around since 1941 when the roll was first launched. The roll is the soul of the brand – just unroll a piece and enjoy! It's easy to share Center in the dark at the cinema, at the sports arena or during a match. The original version is ***a delicious blend of milk chocolate and a soft and creamy caramel filling.*** Center is also available as small and large countlines to suit all Center lovers and occasions.

Sold in: Sweden, Norway, Denmark and Finland.

Cloetta

Cloetta is the name and symbol of the Nordic region's oldest chocolate company, with a very strong local heritage.

In Sweden Cloetta is closely associated with happiness, enjoyment and energy, and is one of the strongest umbrella brands on the Swedish market. Kexchoklad and Polly are the two largest and best known product brands. Other classic and leading product brands in their market segments include Plopp, Juleskum, Center, Tarragona, Sportlunch and Guldnougat.

Choose right – choose Cloetta!!

Guldnougat is the original that was launched back in 1913, a luxurious Swedish treat shaped like a gold bar. With a unique, creamy, smooth and rich hazelnut nougat, Guldnougat is a real indulgence that melts in your mouth.

Tarragona is a chocolate bar for the passionate nut lover. The name comes from the city of Tarragona in Spain, which has been known for its hazelnut groves for centuries. It was from here that the hazelnuts were imported when Tarragona was launched on the Swedish market in 1928. The original, smooth milk chocolate with whole roasted hazelnuts is ***our recipe for good taste.***

Chewits

The **Chewits** brand was first launched in the United Kingdom in 1965.

Chewits, soft fruit toffee in practical small packages, is associated with fun, trust and an active lifestyle.

Chewie the Chewitsaurus is the brand character with a message for all of us, both children and adults, to ***unleash the taste of adventure in life***

Sold in: the United Kingdom, the Baltics and Russia.

Dietor

Dietor is ***synonymous with sweeteners*** in the Italian market.

Dietor was launched in 1979 and targets health-conscious consumers, including people with health issues. Dietor is available as a powder, in liquid form and as tablets, and has recently expanded its offering of stevia-based products.

Sold in: Italy, Bulgaria and the Czech Republic.

Dietorelle

Dietorelle was launched in 1977 and has a leading position in the Italian market for sugar-free confectionery, which represents one third of the total Italian confectionery market.

The brand, ***the Queen of fruit gums*** stands for flavour, fun and colour and is a natural choice for many, especially during the spring and summer.

New fruit flavours and new textures are being added through continuous innovation – more indulgence.

Sold in: Italy, Switzerland, Spain, the Czech Republic, Malta, Cyprus, South Africa, Albania, Venezuela and Israel.

Galatine

Galatine, launched in 1970, is a responsible, healthy and traditional brand. The product is a classic pastille that ***consists of up to around 80% milk***. Galatine is today the single most sold candy in Italy, with a high level of confidence among parents and a strong appeal to children.

The Galatine family also includes Choco for an adult target group, an indulgent chocolate-coated pastille with a unique flavour that provides instant energy.

Sold in: Italy, Hong Kong and Singapore.

Jenkki

Jenkki is the leading chewing gum in Finland by a wide margin and was introduced on the Finnish market in 1951.

In 1975 Jenkki launched ***the world's first xylitol-sweetened chewing gum***. Jenkki Professional is the leading fully xylitol-sweetened chewing gum in Finland, which means that the product has been granted EU approval to make health claims. This approval is based on long-term studies conducted in collaboration with Jenkki Professional.

Over time, Jenkki has expanded its product range with various flavours and packages to attract all ages.

Sold in: Finland.

Juleskum

Cloetta's **Juleskum** is the original that has become a Swedish Christmas tradition. Cloetta started making marshmallow Santas as early as the 1930s, but the real predecessor to today's Juleskum was not introduced until the 1960s.

The past decade has seen unparalleled market growth for Juleskum. Cloetta sells a total of ***more than 1,000 tonnes of Juleskum in Sweden over a period of around two months.***

Juleskum Original is a fluffy, two-coloured marshmallow Santa with a taste of strawberry.

Sold in: Sweden, Norway and Denmark.

Kexchoklad

Kexchoklad, which was launched as early as 1938, is one of Cloetta's active Swedish classics. ***Nine of ten Swedes consume Kexchoklad.***

Kexchoklad is associated with energy, vitality and togetherness, and is seen by consumers as more than just candy. Three layers of crispy, chocolate-covered filled wafers make Kexchoklad a snack for active people who need to quickly replenish their energy.

Kexchoklad is available in a range of sizes and packages to suit different consumption occasions.

Sold in: Sweden.

King

King was founded in the Netherlands in 1922. Over time, the brand has evolved from a simple throat lozenge to a modern breath freshener.

The story of King started back in 1902, when the de Vries family began producing different types of tablets with peppermint, which has many natural medicinal properties. They later named their tablets King. ***Around 99% of the Dutch population is familiar with the brand***.

Sold in: the Netherlands, Belgium, Canada, the USA, Singapore, Hong Kong and the Baltics.

Läkerol

Läkerol is a classic brand that offers a complete product family of throat lozenges. The first box was sold in 1909, but Läkerol has always stayed in step with the times and is still a very popular brand in a large part of the world.

*Läkerol **makes people talk**.* Express yourself and make your voice heard – anytime, anywhere. The brand offers a flavour for everyone and a large number of packaging types and sizes.

The brand's target group consists of socially outgoing and independent individuals leading a young adult lifestyle. Läkerol is the market leader across the Nordics.

Sold in: Sweden, Norway, Denmark, Finland, Switzerland, the USA, Singapore, Hong Kong and Lebanon.

Läkerol Dents

Läkerol Dents, ***a smart habit for strong teeth***, is a soft, sugar-free, chewy pastille with xylitol that gives you both fresh breath and strong teeth.

Läkerol Dents has plenty of tasty flavours, a delightfully soft and chewy consistency and functional qualities. Clinical studies show that 2–3 pastilles after every meal stabilise the oral pH balance and protect your teeth from cavities.

Läkerol Dents are a good alternative when you want to protect your teeth from cavities but it is not appropriate to chew gum.

Sold in: Finland.

Mynthon

Mynthon is the leading pastille brand in Finland, where it was launched in 1976.

Fresh and effective is Mynthon's brand essence. The product range consists of hard and compressed pastilles in a variety of fresh flavours. In 2012, chewing gum was also launched under the brand.

Sold in: Finland, the Baltics, Norway, Russia, Greece, Albania and Sweden.

Plopp

Plopp, a tiny Swedish treat, is a filled milk chocolate with soft toffee, ***when you want to give yourself a moment of pleasure.*** Originally introduced in 1949, Plopp is personified by the little mini bar that stands for nostalgia, fun and playfulness.

Since love and Plopp belong together, Plopp mini was launched in a special wrapper with the words Kiss, Hug, Joy and Love in connection with the Love Stockholm festival in 2010 and the Royal Wedding the same year.

Sold in: Sweden.

Malaco

Malaco offers a wide variety of candies in unique and exciting flavours. The name Malaco comes from the first letters in the company name Malmö Lakrits Compani, which was founded in 1934. At that time Malaco produced only liquorice products, primarily liquorice pipes and laces, which are still part of the assortment.

When they were launched in the 1930s, Pim-Pim raspberry boats and Brio fruit were Sweden's first tablet boxes. These were later joined by products like Djungelvrål, Zoo and Fruxo.

Through the years, many products have been added under the Malaco brand and today many of these are among the Nordic region's most beloved candy products. With products like Gott & blandat, TV MIX, Aakkoset (alphabet in Finnish), Familie Guf, Lagerman Konfekt and Kick, there is something for every taste, age and occasion – ***Saturday all week***, quite simply.

Malaco's Gott & blandat original, which has been sold in Sweden since 1979, is one of Malaco's top-selling products. At the start it was a "leftover bag" from production. Once the pick-and-mix candies were packaged, there were often around 50–100 kilos of sweets of various kinds left over. These were mixed and packed in bags and the resulting product was named Gott & blandat. Today there are many different products under the Gott & blandat brand, such as Salt, Favoritmix and the new Supersur.

Sold in: Sweden, Finland, Norway, Denmark, Switzerland, the USA, Cyprus and Israel.

Polly

Polly was launched in 1965 and is the leading brand of bagged chocolate on the Swedish market. More than 7 of 10 Swedes consume Polly.

It's impossible to eat just one. Polly is a chocolate-coated flavoured foam drop. The original is flavoured with vanilla and arrack, but today there are a number of new favourites such as Polly Rocks and Polly Charter with salt liquorice, coconut, watermelon, lemon, etc.

Sold in: Sweden, Finland and Norway (under the name Popsy).

Red Band

Red Band has roots going back to 1928.

Since the start, the Red Band brand has built up a leading position in the Dutch and German sugar confectionery markets with ***a promise to deliver fun, quality and pleasure***.

The classic Winegum Mix, the original Drop Fruit Duo's and Pret Mix are some of the well known products that are sold under the Red Band brand.

In 2006 Red Band was repositioned and the brand was given the same design as Malaco.

Sold in: the Netherlands, Germany, Switzerland, Canada, Austria, Singapore, Hong Kong, Spain, Portugal, the Baltics, Russia, the Middle East, the Czech Republic, Malta, Cyprus and Israel.

Saila

Saila is a pastille that has become an Italian hero. Saila was born in 1937 and is today one of Italy's best known and leading brands of pastilles. Today Saila also is available as a chewing gum. After becoming part of Cloetta's portfolio in 2007, Saila has emerged as a growing star in the large market for pastilles and chewing gum by consistently delivering successful innovations. Saila is widely recognised as ***uniquely essential refreshment***.

Sold in: Italy, Bulgaria, Malta, Albania and Venezuela.

Sperlari

Enea **Sperlari** realised the potential in the traditional Italian nougat – il Torrone, and started his business in 1836. The secret behind Sperlari's success lies in the combination of tradition and modernity, old recipes that meet new flavours, the finest ingredients and a passion for the craft.

Today Sperlari has a wide range of products ranging from seasonal products like nougat and chocolate to sugar-based candies. ***Torrone a modo mio*** (Nougat my way).

Sold in: Italy, France, Germany, Switzerland, the United Kingdom, Malta, Albania, Canada, the USA, Australia, Venezuela, Lebanon and South Africa.

Sportlife

Sportlife has its roots in the Netherlands, where it was launched in 1981 as the ***first chewing gum in "blister" packaging***.

Sportlife has since then become a leader on the Dutch market and has also gained a strong position in Belgium.

Sportlife is based on the brand essence of "unexpected freshness" with an international brand profile.

Sold in: the Netherlands and Belgium.

Sportlunch

Sportlunch is a delightful, crispy wafer generously coated with pure milk chocolate in easy-to-break pieces. Sportlunch was launched in Sweden in 1936, under the name "Mellanmål" and changed name to the well known Sportlunch in 1996.

Sportlunch adds energy and attitude, and is easy to eat on the go – in town, on the ski slope, anywhere when you need a quick source of extra energy. Sportlunch is ***perfect for a break and recharge*** and is a favourite of many people.

In 2012 Sportlunch Power Break was launched with hazelnuts and toffee.

Sold in: Sweden and Norway.

Sisu

Sisu is a tar-flavoured liquorice pastille that was launched in Finland in 1928.
Sisu is named for the true nature of the Finnish people – the word "sisu" means guts, endurance or relentless courage. For the Finns, the Sisu brand is part of the Finnish spirit that no other brand can replace.

Sisulla siitä selviää. (With Sisu, you can do it).

Sisu is available in several flavours packaged in both boxes and bags.

Sold in: Finland.

Tupla

Tupla was launched in 1960 and is the number one chocolate countline in Finland. Tupla original consists of delicious pieces of chewy cocoa nougat and roasted almonds covered with milk chocolate. Tupla means "double" and the original contains two pieces that are filled with energy and easy to share.

Why settle for a Tupla (double)?

Tupla is now available in several flavours and sizes. The newest addition, Tupla Shuffle, is a real "waffle" packaged in bags.

Sold in: Finland, the Baltics and Russia.

Venco

Venco was launched as early as 1878 and is the leading liquorice brand in the Netherlands. Venco's slogan is "Passie voor Drop" and Venco truly has a ***passion for liquorice***. Venco has virtually everything you could wish for in the way of liquorice, i.e. sweet, salty, hard, soft and chewy. There are simple, sugared and sugar-free pastilles, hard candies and sugar-free jellies in many different shapes and packages. Venco is one of the Netherlands' best known brands.

Sold in: the Netherlands, Canada, South Africa and Israel.

XyliFresh

XyliFresh was launched in the Netherlands in 1998 and is positioned as a dental chewing gum with 100% xylitol. XyliFresh is the ***best dental gum*** in the Netherlands, according to an official statement from the EFSA (European Food Safety Authority) and is the brand of dental chewing gum with the highest recognition and credibility among consumers.

Sold in: The Netherlands.

The confectionery market

Cloetta is active in the confectionery market, which can be divided into sugar confectionery, chocolate confectionery, pastilles and chewing gum. Historically, Cloetta has focused mainly on chocolate confectionery and LEAF on sugar confectionery, pastilles and chewing gum. After the merger, Cloetta has a complete range of products.

Cloetta's main markets are Sweden, Italy, Finland, the Netherlands, Norway and Denmark. In addition, Cloetta's products are sold and marketed in some 40 other markets. The total market for confectionery in Cloetta's main markets amounts to approximately SEK 85 billion. The markets where Cloetta is active account for around 65% of Western Europe's total confectionery consumption.

MATURE MARKET

The confectionery market is relatively insensitive to economic fluctuations and shows stable growth that is driven primarily by population trends and price increases. Despite this, the market recession is affecting Cloetta through general price pressure from the retail trade and greater competition from private labels.

Growth takes places almost exclusively through the development of existing strong confectionery brands. During the previous recession, however, private labels gained market shares, primarily in the chocolate confectionery segment.

Of the total market, sugar confectionery accounts for around 25%, chocolate confectionery for around 55% and pastilles and chewing gum for around 20% in value.

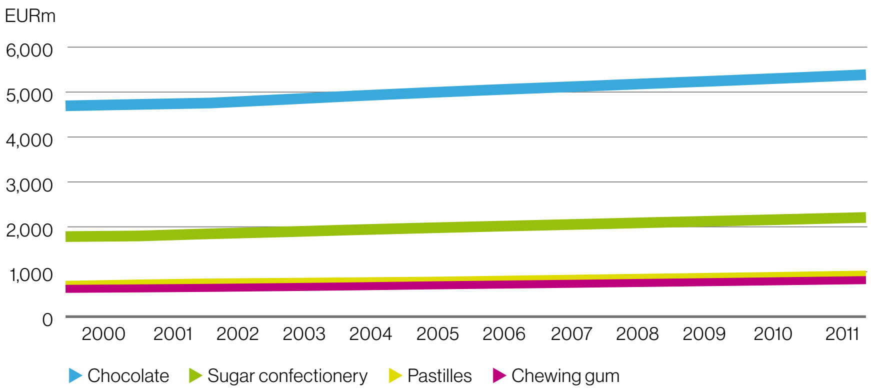
One key success factor is the continuous launch of new products.

COMPETITIVE MARKET

The global market for confectionery is dominated by international companies like Haribo, Nestlé, Mars/Wrigley, Mondelez (former Kraft Foods), Perfetti and Ferrero, but in the local markets these meet tough opposition from players with locally established brands such as Cloetta, Fazer, Orkla and Toms. No player has a strong position in all European markets.

Consolidation of the confectionery industry is taking place gradually, which is reflected in Perfetti's acquisition of Van Melle in the Netherlands in 2001, Orkla's acquisition of Finnish Panda in 2005, the merger between Mars and Wrigley in 2008 and Mondelez's (former Kraft Foods) acquisition of UK-based Cadbury in 2010. The industry as such has a long history and the rate of technological change is low.

Market development in Cloetta's main markets[1]



1) Including Sweden, Finland, Norway, Denmark, Italy and the Netherlands. Source: Datamonitor

CONSUMPTION PATTERNS

Confectionery is one of the most impulse-driven categories in the retail trade. With over 80% of purchasing decisions made at the point of sale, brand, availability and product placement are significant success factors. The European confectionery market is characterised by strong consumer loyalty to local brands. The main aspects when buying are brand, flavour, quality and curiosity about new products.

Consumption patterns and taste preferences vary between the different markets, and compared to the rest of Europe, for example, the Nordic region has lower per capita consumption of chocolate but significantly higher consumption of sugar confectionery than the rest of Europe. Another example is the pick-and-mix segment, which has a very strong position in the Nordic countries and accounts for a high share of total confectionery consumption, while consumption of pick-and-mix is considerably lower in Central Europe where packaged sugar confectionery and chocolate have a stronger position.

A rising number of single-person households and an individualistic attitude among consumers are boosting demand for a high-energy snack between meals on when they're on the run, which has led to growing demand for confectionery but also a wide range of competing products.

SALES CHANNELS

Cloetta's foremost sales channels are the grocery retail trade and the service trade.

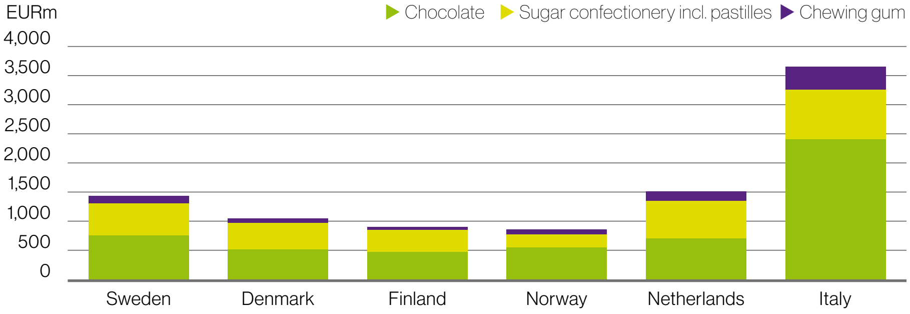
The grocery retail trade has undergone extensive consolidation and restructuring in the past ten years, when the number of stores has decreased at the same time that floor space per store has grown larger. Concentration in the grocery trade is high. In Cloetta's main markets in the Nordic region and the Netherlands, the three largest chains in each country account for more than 70% of total grocery sales. The concentration of the grocery trade enables this channel to place rigorous requirements on its suppliers.

A large share of everyday consumption of confectionery has traditionally been sold via the service trade, i.e. filling stations, service and convenience stores, kiosks, etc. Over the past decade, the service trade has developed an increasing number of snack alternatives that compete with confectionery, which has reduced the number of units in the confectionery segment.

Other sales channels include ferry lines, movie theatres, airports, building supply stores, hotels, arenas and other places that are not traditionally associated with confectionery sales but where many consumers are found.

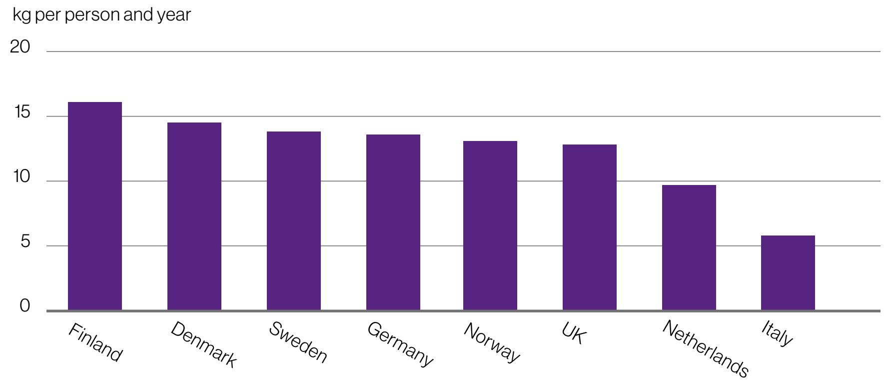
Because availability and strong brands are among the most important factors for impulse-driven purchases, new types of sales channels are evaluated continuously.

Market size by region, Cloetta's main markets



Source: Datamonitor

Per capita consumption of confectionery in 2011



The graph refers to countries where Cloetta is active. Source: Datamonitor

Cloetta's sales channels

Grocery trade

Increasingly fewer and larger stores, which is leading to greater efficiency and strength. Typically covered by central agreements at the national level.

Service trade

Generous opening hours, centrally located in the form of convenience stores, but also filling stations. An increasingly wide range of snack alternatives.

Other sales channels

These include building supply stores, movie theatres, airports and arenas. This channel often requires support in developing its confectionery sales.

Cloetta's markets

Cloetta's main markets are the countries where Cloetta has its own sales and distribution organisation, and consist of Sweden, Italy, Finland, the Netherlands, Norway and Denmark. In addition, Cloetta's products are sold through distributors in some 40 additional markets.

Cloetta's total sales in 2012 amounted to SEK 4.9 billion. Sweden was the largest single market and accounted for approximately 32% of total sales. The other Nordic countries accounted for around 28%, Italy for around 15%, the Netherlands for around 13% and other markets for around 12% of total sales.

STRONG PRESENCE

Cloetta has a strong position in its main markets, with well loved and local brands in the segments for sugar and chocolate confectionery, pastilles and chewing gum, and is therefore a highly competitive supplier to the retail trade. Close to half of Cloetta's sales consist of sugar confectionery and around 18% of chocolate. Pastilles account for roughly 17% and chewing gum and other products, primarily sweetener, account for 8% each.

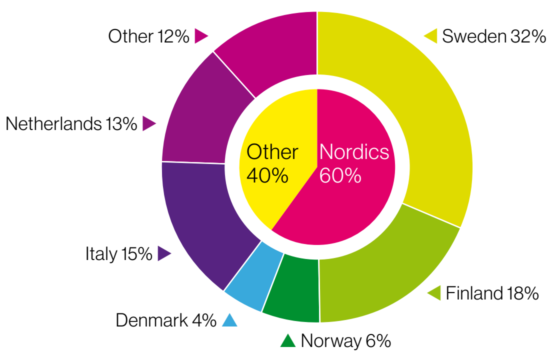
TRAVEL RETAIL

For many years Cloetta has had significant sales to passenger ferry lines, charter tour operators and airports, known as Travel Retail. Well tended brands and unique packages in terms of both design and size are key competitive tools for this channel and Cloetta is continuing to develop attractive new products in these areas.

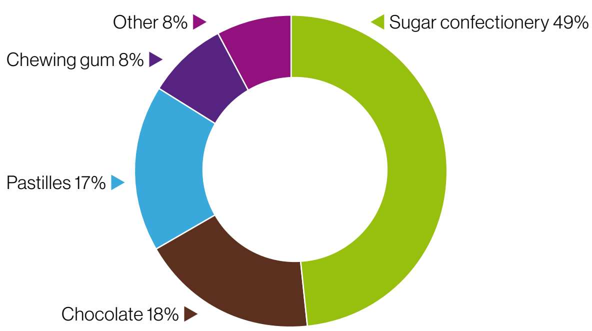
PRICE STRATEGIES

The concentrated grocery retail trade has exerted powerful price pressure on all of its suppliers in the past few years. To a large extent, Cloetta has handled this through efficiency improvements. In addition to price pressure, in recent years suppliers have also felt the effects of sharply rising prices for raw materials, particularly sugar. Cloetta is therefore forced to compensate for higher raw material costs by introducing price increases.

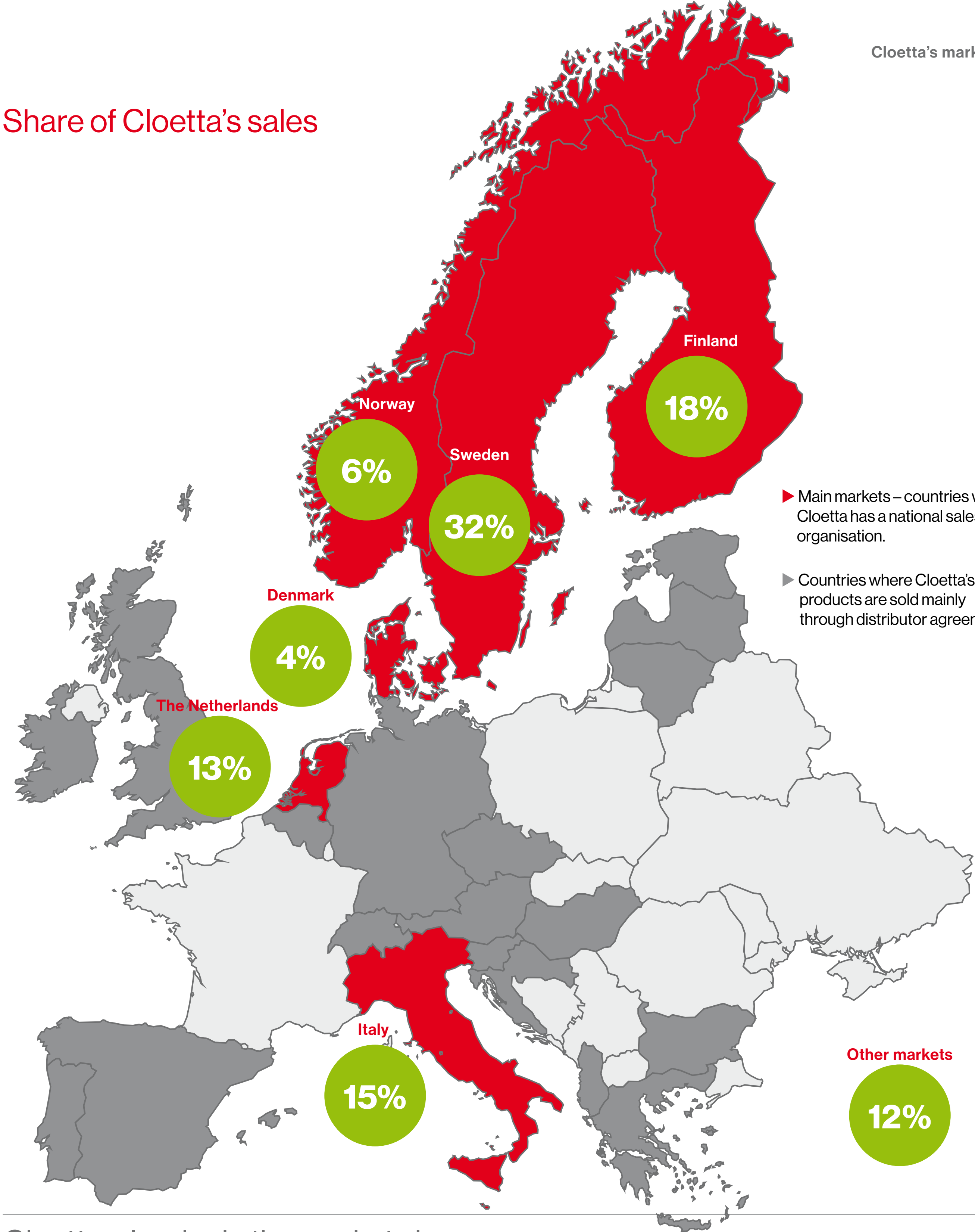
Cloetta's net sales by country



Cloetta's net sales by category



Share of Cloetta's sales



- Main markets – countries where Cloetta has a national sales organisation.
- Countries where Cloetta's products are sold mainly through distributor agreements.

Cloetta a leader in the markets in:

Sweden
- Sugar confectionery
- Countlines
- Pastilles
- Chocolate bags

Denmark
- Pastilles
- Sugar confectionery

Finland
- Pastilles
- Chewing gum
- Sugar confectionery

Norway
- Pastilles
- Sugar confectionery

The Netherlands
- Pastilles
- Sugar confectionery
- Chewing gum

Italy
- Seasonal products
- Sweetener
- Sugar confectionery

Efficient sales organisation

Cloetta has a strong sales organisation in its main markets and the company attaches great importance to serving as an efficient and skilled partner to the retail trade and in finding new solutions and channels for sales.

A COMPLETE PRODUCT PORTFOLIO

Especially in the Nordic region, with its wide geographical distances to cover, a more complete product portfolio can provide economies of scale compared to other competitors in the confectionery market. Through the company's own sales force, new products can be quickly launched in stores and thereby reach consumers.

ATTRACTIVE NEW PRODUCT LAUNCHES

One decisive success factor for Cloetta is how the retail trade receives Cloetta's products and how they are displayed. It is therefore important to launch products that the customers see as needed, and that are both easy to handle and profitable for the trade.

SALES PROMOTION ACTIVITIES

Cloetta typically combines marketing activities with high-impact sales promotion in the stores. New product launches in particular are given effective sales support through campaigns, events, in-store promotion and advertising.

In this respect, Cloetta's sales organisation plays a central role. The most important part of their daily work is to help the individual retailer display Cloetta's products to achieve higher turnover rates and stronger margins in the store. Through the sales organisation's category knowledge and strong in-store presence, Cloetta can reach out with campaigns, monitor compliance with centrally negotiated listing and distribution agreements and ensure good visibility on the store shelves, at the checkout stands and in other sales points.

For the new channels, the task for Cloetta's sales organisation is to help find new non-traditional sales channels.

Cloetta's sales organisation

Sells the right products to the right customer

Selling the right products to the right customer creates profitability for both Cloetta and the customer. Cloetta's large and efficient sales organisation provides good opportunities for a presence at many points of sale.

Ensures that Cloetta's products have good visibility

Good visibility in the stores and particularly at the checkout stands is essential for growth in sales. Cloetta's wide product range creates economies of scale and opportunities for presence in many categories.

Conducts effective sales campaigns together with the customers

Marketing campaigns are typically combined with in-store sales promotion.

Ensures that the central listing agreements are complied with

Sweden

Population:	9.4 million
Market size:	Consumer sales of approx. EUR 1.4 billion
Largest customers:	Axfood, Coop, ICA and Privab
Top-selling brands:	Malaco, Kexchoklad, Läkerol, Ahlgrens bilar, Polly, Center, Juleskum, Plopp and Sportlunch

Source: Datamonitor

Sweden is the largest single market in the Nordic region, with around one third of the region's total confectionery consumption. Consumer sales in the Swedish confectionery market amount to around EUR 1.4 billion annually. In 2012 the total market showed weakly positive development. In terms of value, sugar confectionery accounts for around 20%, chocolate confectionery for around 58%, pastilles for around 10% and chewing gum for around 12%. Pick-and-mix also accounts for an important share of the total market.

Cloetta's sales and competitors

Cloetta's sales in the Swedish market accounted for 32% of the Group's total sales in 2012.

Cloetta has a long history in Sweden. In 1872 the Cloetta brothers set up a factory in Malmö and were thus the first to establish industrial manufacturing of chocolate in Sweden. Fredrik Ahlgren founded his company in 1885 and launched Läkerol in 1909. In 1934 a factory was opened in Malmö to specialise in liquorice, which later became Malaco.

Both Cloetta and Läkerol hold the prestigious position of Purveyor to the Royal Swedish Court.

Cloetta is the second largest player in Sweden, with around 24% of the confectionery market. The market leader is Mondelez (former Kraft Foods, among other things with the Marabou brand) with approximately 30% of the market.

The retail chains' private labels have a share of around 6% of the Swedish market.

Sales channels

The Swedish grocery retail trade is increasingly centrally-controlled. The task for Cloetta's sales force is to ensure that the central agreements are followed and to provide support in implementation according to the needs of each customer.

Cloetta's sales in the service trade have been declining for several years, mainly due to a decrease in the number of manned petrol stations.

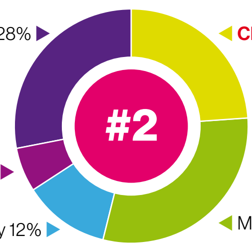
Sales organisation

As part of the merger between Cloetta and LEAF, a joint sales and marketing organisation was established in Sweden during the autumn 2012.

There are a total of around 210 employees in the sales organisation and at the Scandinavian head office in Malmö.

Largest players, Sweden

Confectionery market



Source: Nielsen

Denmark

Population:	5.5 million
Market size:	Consumer sales of approx. EUR 1.0 billion
Largest customers:	Coop, Dansk Supermarked and SuperGros
Top-selling brands:	Malaco, Lakrisal, Läkerol, Center and Juleskum

Source: Datamonitor

Denmark is the second largest market in the Nordic region, with around one fourth of the region's total confectionery consumption. Consumer sales in the Danish confectionery market amount to approximately EUR 1.0 billion annually and shrank in volume during 2012 due to the increased sugar tax, but grew somewhat in value. In terms of value, sugar confectionery accounts for around 38%, chocolate confectionery for around 54% and pastilles for around 8%.

Cloetta's sales and competitors

Cloetta's sales in Denmark accounted for 4% of the Group's total sales in 2012.

Several of Cloetta's brands have a long history in Denmark. Läkerol, the market leader in the pastilles segment, was launched as early as 1910.

Cloetta is the third largest player in Denmark, with around 15% of the pastille and sugar confectionery market. The market leaders are Haribo and Toms, with approximately 32% and 19%, respectively, of the Danish pastille and sugar confectionery market.

The retail chains' private labels have a share of around 4% and 1%, respectively, of the Danish pastille and sugar confectionery market.

Sales channels

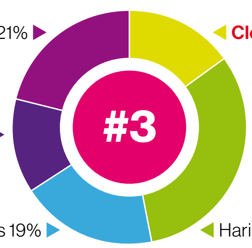
The grocery trade in Denmark is moving towards greater centralisation, but is still more decentralised than in the other Nordic countries. Extensive efforts at the store level are therefore required to increase distribution.

Sales organisation

In Denmark there are around 40 employees at the office in Brøndby and in the sales organisation. Sales of brands distributed by third parties were taken over by the Group's own sales organisation at year-end 2012.

Largest players, Denmark

Sugar confectionery and pastilles market



Source: Nielsen

Finland

Population: 5.4 million
Market size: Consumer sales of approx. EUR 0.9 billion
Largest customers: SOK, Kesko and Tuko
Top-selling brands: Malaco, Jenkki, Mynthon, Läkerol, Sisu and Tupla

Source: Datamonitor

Finland is the third largest market in the Nordic region, with around one fifth of the region's total confectionery consumption. Consumer sales in the Finnish confectionery market amount to around EUR 0.9 billion annually.

In 2011 Finland introduced a new law on selective purchase tax on confectionery, ice cream and carbonated beverages. This led to a decrease in confectionery sales by around 5% in volume during 2011. Although the tax was raised further in 2012, part of the drop in sales during 2011 was recovered in 2012. Volume growth was therefore positive during the year, while value sales rose sharply as a result of the higher tax. In terms of value, sugar confectionery accounted for around 32%, chocolate confectionery for around 29%, pastilles for around 11%, chewing gum for around 9% and other products for 19%.

Cloetta's sales and competitors

Cloetta's sales in Finland accounted for 18% of the Group's total sales in 2012.

Cloetta has long held a strong position in the Finnish market. The legendary pastille brand Sisu was launched in 1928 and in 1951 Cloetta launched Jenkki, which is today the market-leading chewing gum. Tupla, which was launched in 1960, is the market leader in the chocolate countline segment. With Mynthon, Läkerol and Sisu, Cloetta is the market leader in the in the pastille segment.

Cloetta is the second largest player in the Finnish market, with a share of around 25% of the confectionery market. The market leader is Fazer, with approximately 44% of the confectionery market.

The retail chains' private labels have a share of around 6% of confectionery sales in the Finnish market.

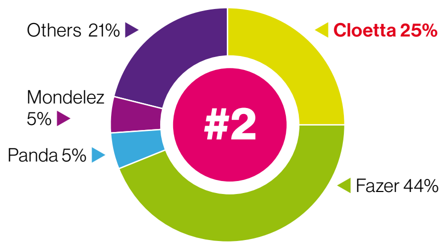
Sales channels and largest customers

The Finnish grocery retail trade is dominated by large players and is the market with the most centralised purchasing in the Nordic region. Thanks to centralised purchasing, new products can achieve wide distribution and become quickly available to consumers.

Sales organisation

In Finland there are around 150 employees at the office in Turku and in the sales organisation. Sales of brands distributed by third parties were taken over by the Group's own sales organisation at year-end 2012.

Largest players, Finland
Confectionery market



Source: Nielsen

Norway

Population: 4.9 million
Market size: Consumer sales of approx. EUR 0.9 billion
Largest customers: Coop, ICA, NorgesGruppen and Rema
Top-selling brands: Malaco, Läkerol, Pops and Ahlgrens bilar

Source: Datamonitor

Norway is the smallest market in the Nordic region, with just under one fifth of the region's total confectionery consumption. Consumer sales in the Norwegian confectionery market amount to around EUR 0.9 billion annually. The Norwegian confectionery market showed weakly positive development in 2012.

Cloetta's sales and competitors

Cloetta's sales in Norway accounted for 6% of the Group's total sales in 2012.

Cloetta has a long history in Norway. Läkerol was launched in 1912 and is still the market-leading pastille in Norway today. Other strong brands include Malaco, Ahlgrens bilar, Pops and Popsy (Polly), which have increased their market shares in recent years.

Cloetta is the third largest player in the Norwegian confectionery market. Cloetta is the leading player in the sugar confectionery and pastilles market, with a market share of 27%. The market leader Nidar (owned by Orkla) has around 20% and Galleberg has around 16% of the Norwegian sugar confectionery and pastilles market.

The retail chains' private labels have a share of confectionery sales of around 4% in the Norwegian market including pastilles.

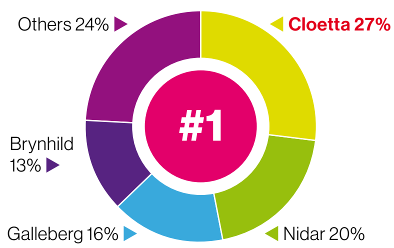
Sales channels

As in the other Nordic countries, the grocery retail trade is dominated by major chains. Decisions about the product range are made at a central level and effective cultivation by the sales force is decisive in achieving product listings. The Norwegian market is also more driven by product innovations than the other Nordic markets.

Sales organisation

In Norway Cloetta has around 60 employees at the office in Høvik and in the sales organisation. Sales of brands distributed by third parties were taken over by the Group's own sales organisation in the autumn of 2012.

Largest players, Norway
Sugar confectionery and pastilles market



Source: Nielsen

The Netherlands

Population:	16.6 million
Market size:	Consumer sales of approx. EUR 1.5 billion
Largest customers:	Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam
Top-selling brands:	Sportlife, XyliFresh, King, Red Band and Venco

Source: Datamonitor

The Netherlands are the sixth largest market in Western Europe, with just over 4% of the region's confectionery consumption. Consumer sales in the Dutch confectionery market amount to EUR 1.5 billion annually. The Dutch market for pastilles and chewing gum decreased during 2012, while the market for sugar confectionery was essentially unchanged.

Cloetta's sales and competitors

Cloetta's sales in the Netherlands accounted for 13% of the Group's total sales in 2012.

Cloetta's oldest brand in the Netherlands is Venco, which was launched in 1878. Venco is the Cloetta Group's only stand-alone liquorice brand, and has a market-leading position in the liquorice segment. With the chewing gum brands Sportlife and XyliFresh, Cloetta is also the market leader in the Dutch chewing gum market, where Red Band holds the number two position in the bagged candy market.

Together with Perfetti, Cloetta holds the top two positions with a market share of around 17% each in the sugar confectionery market.

Sales channels and largest customers

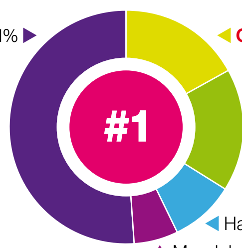
The grocery retail trade is concentrated around a few major players. With primarily centralised purchasing, it is possible to achieve wide and rapid distribution of the new products that are launched.

Sales organisation

In the Netherlands Cloetta has around 80 employees at the office in Oosterhout and in the sales organisation.

Largest players, the Netherlands

Sugar confectionery market



Source: Nielsen

Italy

Population:	60.7 million
Market size:	Consumer sales of approx. EUR 3.6 billion
Largest customers	Coop, Esselunga, Carrefour Group and CONAD
Top-selling brands:	Sperlari, Dietor, Saila and Dietorelle

Source: Datamonitor

Italy is the fourth largest market in Western Europe, with close to one tenth of the region's total confectionery consumption. Consumer sales in the Italian confectionery market amount to around EUR 3.6 billion annually. In 2012 the Italian confectionery market shrank as a result of the economic situation in the country. In terms of value, sugar confectionery accounts for around 26%, chocolate confectionery for around 30%, pastilles for around 16% and chewing gum for around 28%.

Cloetta's sales and competitors

Cloettas' sales in Italy accounted for 15% of the Group's total sales.

Cloetta has an impressive history in the Sperlari brand from 1836, which is Cloetta's oldest brand and the leading Christmas confectionery in Italy. The Saila brand is more than 70 years old. Sugar-free Dietorelle essentially created the sugar-free segment in Italy and, like the sweetener Dietor, is the market leader.

Cloetta is the second largest player in the Italian market for sugar confectionery and pastilles, with a share of around 15%. The foremost competitors are the market leaders Perfetti and Ferrero. Perfetti's market share is approximately 22% and Ferrero's approximately 10%.

The retail chains' private labels have a share of around 10% of sugar confectionery sales in the Italian market.

Sales channels and largest customers

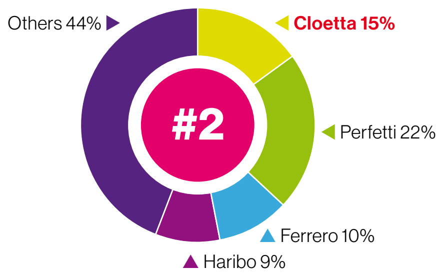
In Italy, the grocery retail trade is more fragmented than in the Nordic markets and the Netherlands. The three largest grocery retail chains have a significantly lower share of Cloetta's sales than in the Nordic countries and the Netherlands. Aside from the more modern grocery stores, most sales take place via a very large number of small shops and are handled among other things by sales agents that act as distribution units and work for several suppliers.

Sales organisation

In Italy Cloetta has around 150 employees at the office in Cremona and in the sales organisation.

Largest players, Italy

Sugar confectionery and pastilles market



Source: Nielsen

Other markets

All in all, other markets accounted for 12% of the Group's total sales in 2012.

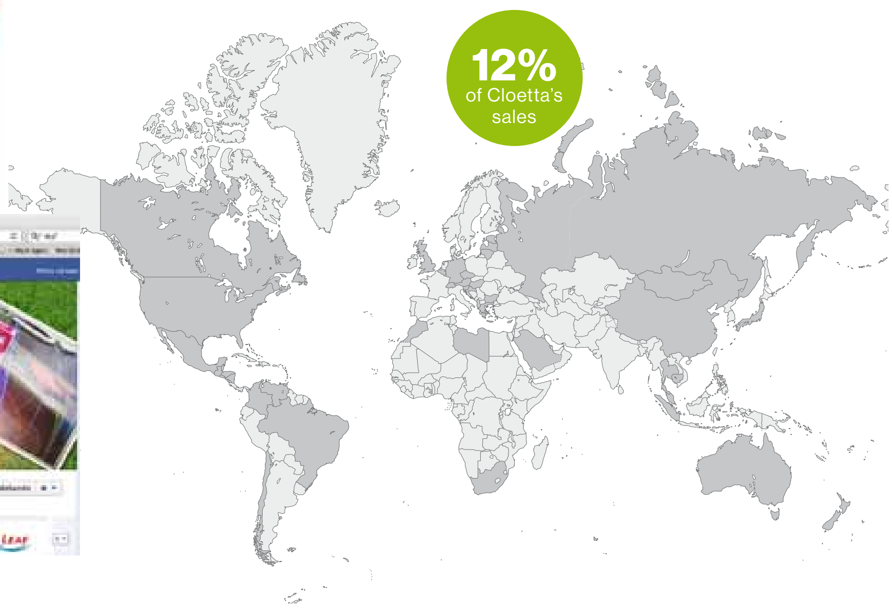
Other markets consist primarily of sales to countries outside Cloetta's main markets, a total of more than 40 countries. These are countries where Cloetta is active but does not have its own sales force or distribution organisation.

Sales organisation

In certain countries, such as Germany, the United Kingdom, the Baltic countries and Singapore, Cloetta has a small organisation and its own staff, but handles sales and distribution through external distributors.

Other key markets where Cloetta has no sales and distribution organisation of its own are Belgium, Canada, Russia, Switzerland, Austria, the Middle East and Hong Kong. The common denominator for these markets is that Cloetta has a strong niche position in certain categories. The most important brands in these markets are Chewits, Red Band, Läkerol and products for Weight Watchers.

Läkerol Singapore's page on Facebook.



Supply chain

At year-end Cloetta had 11 factories in Sweden, Italy, the Netherlands, Finland, Belgium and Slovakia. In 2012 Cloetta produced a total of 96,700 tonnes of confectionery. During the year, a decision was made to close three factories and one of these was closed at the end of the year.

Cloetta's supply chain is responsible for production, purchasing, planning, logistics, quality and safety. During the year, a number of projects were started to realise additional synergies and scale economies in both production and purchasing.

Together with the improvements that are realised through the ongoing factory restructuring program, the pursuit of continuous improvements through Lean and Value Engineering remains a top priority.

OCCUPATIONAL SAFETY

Employee safety is fundamental in all production and is the highest priority in the production facilities. Continuous risk assessments and increased reporting of incidents and accidents contribute to greater knowledge about potential causes of accidents in production. This makes preventative measures part of day-to-day activities and minimises the risk for accidents.

These systematic efforts have made it possible to decrease the number of injuries at work in recent years. Read more in the section A good and safe working environment on page 46.

PRODUCTION RATIONALISATIONS

The merger between Cloetta and LEAF, combined with excess capacity in the production structure, has created opportunities to rationalise production.

Already prior to the merger, at the end of 2011, LEAF closed a factory in Denmark and most of this production was relocated to the factory in Levice, Slovakia, during the first quarter of 2012. The production unit in Levice is a modern factory, that was built in 2006 with capacity for additional production.

In 2012 Cloetta decided to close the factories in Alingsås and Gävle, Sweden, and Aura, Finland. The closure of the Alingsås factory was completed during the year and its production was moved to other units. The fac-

tory in Aura was closed in the first quarter of 2013 and the factory in Gävle will be closed at the beginning of 2014. Production from these units will be relocated primarily to Ljungsbro, Sweden, and Levice, Slovakia.

Moving a production line is a complex process that requires extensive documentation, careful planning, knowledge transfer, technical adaptations and fine-tuning. Added to this is often a physical relocation of machinery. The total costs for moving production lines and closing the factories in Alingsås, Aura and Gävle are estimated at around SEK 320–370m.

These rationalisations are expected to generate annual cost savings of approximately SEK 100m at the EBITDA level.

MANAGEMENT SYSTEM

Cloetta has a central management system to ensure standardised working methods in its operations. Each production unit has a locally adapted management system that is linked to the central system. Central policies, goals and procedures and broken down and implemented at the factory level.

The management systems cover occupational health and safety, quality, product safety and the environment. The management system is based on recurring risk assessments and continuous improvements. One important part of this working method is a systematised meeting structure for monitoring of results against targets, to detect both positive and negative deviations and solicit suggestions for improvements. Goals and results are visualised for example on displays and bulletin boards in the facilities to provide knowledge about the current situation, which contributes to creating awareness and participation among the employees. Action can be taken immediately in the event of deviations and systematic follow-up creates scope for proactive improvements.

Read more about Cloetta's environmental efforts on pages 42-44.

CONTINUOUS IMPROVEMENT

Cloetta work continuously on rationalising production and maximising its capacity utilisation. Key success factors in the production process include long-term and day-to-day efforts to achieve continuous improvements and a learning-driven culture. This is conducted through systematic work on lean processes and value engineering. This includes, for example, increasing the efficiency of machinery by reducing stoppages caused by product changeovers, disruptions and machine faults, as well as enhancing the machinery, working methods and utilisation of raw materials. Improvement work is usually conducted by staff contributing proposals for improvement, which are then followed up in a structured way. This creates motivation and commitment for continuous improvement and development, while simultaneously enabling the realisation of new savings.

QUALITY AND PRODUCT SAFETY

Cloetta places rigorous demands on quality and product safety. First class raw materials and correct treatment and processing methods are essential for manufacturing of high quality confectionery.

Continuous efforts are made to ensure that the products meet the requirements and expectations of consumers and retailers. For each product there is a quality specification describing the required flavour, aroma, appearance, consistency and package.

No azo food colourings are used in Cloetta's products.

Cloetta's factories are certified according to the BRC Global Standard for Food Safety and/or ISO 9001. BRC is a standard for assurance of product safety and quality, and is one of the cornerstones of Cloetta's quality management.

The goal is for all of Cloetta's factories to obtain BRC certification. The four Italian factories, which have previously chosen ISO 9001, started the implementation of BRC during 2012. The first Italian factory was certified in the autumn of 2012.

The Group's product safety work is based on the HACCP method (Hazard Analysis Critical Control Points). With the help of the HACCP method it is possible to analyse potential risks for the consumer. This provides a basis for steering and control of the entire process, from purchasing of raw materials to delivery of finished products, in order to eliminate and minimise all possible consumer risks.

Both the BRC standard and EU food product legislation require traceability of raw materials and products. This traceability has been assured and is tested regularly. Cloetta has a detailed action plan to enable rapid withdrawal of a product from the market if needed.

PLANNING AND LOGISTICS

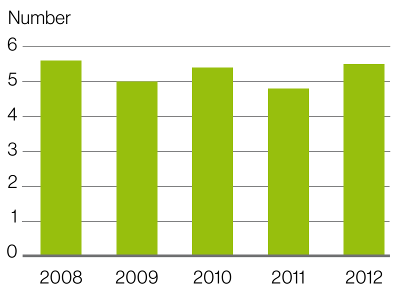
Effective production planning leads to lower capital tied up in the form of inventories of both raw materials and finished products, at the same time that it increases the service level. Delivery reliability is one of the most critical parameters for the retail trade. Cloetta has a very well developed planning system that integrates the entire value chain from supplier to production and final customer. The system also integrates financial planning and prices.

During the year, a decision was made to close and move the warehouse operations in Oslo, Norway, in Slagelse, Denmark, and in Malmö, Sweden, to a joint facility in Helsingborg, Sweden. The new warehouse is handled by an external supplier.

PURCHASING

Cloetta's largest cost items in production, accounting for around 60% of total costs, are raw materials and packaging.

Complaints, feedback/ millions of consumer units sold



Feedback from individual consumers who point out a defect or deficiency in a product is extremely valuable in Cloetta's pursuit of continuous improvements.

Returns are measured in the number per millions of consumer units sold (one consumer unit = a bag, a box, etc.).

Raw materials are purchased only from suppliers that can be verified against Cloetta's quality, product safety and environmental requirements. All suppliers to Cloetta are evaluated and approved before they are permitted to deliver materials to the factories. The process varies depending on the type of supplier and the type of material delivered. Certain suppliers are physically audited at regular intervals by Cloetta's employees.

Cloetta collaborates closely with its largest suppliers, among other things through automated order and delivery processes that are adapted to raw material consumption in production. Cloetta's range includes products that are produced by other manufacturers. Contract manufacturing in 2012 was used mainly for chocolate, chewing gum and specific packaging solutions. External production is outsourced only to manufacturers following approval by Cloetta, according to the same high quality standards that apply to production in Cloetta's own factories. External manufacturers are audited regularly.

INSOURCING

Cloetta continuously evaluates the possibilities for external production vs. insourcing. In the past year Cloetta cancelled contracts and increased its own manufacturing of chewing gum at the factory in Sneek, the Netherlands. As a result of the merger between Cloetta and LEAF, production of the chocolate countline Royal that is sold in the Finnish market was started at the factory in Ljungsbro, Sweden.

CONSUMER AND CUSTOMER FEEDBACK

Each market has a Consumer Service unit that investigates and responds to product complaints and returns. As part of its investigation, Consumer Service always contacts the factory in question to find the underlying causes of possible quality problems.

The factory then systematically uses the information provided by the return/complaint, to find the root cause in order to eliminate it.

Success factors for production

Engaged employees

Good hygiene

Good hygiene among the employees and in the processes is imperative in manufacturing of food products.

Delivery reliability

Good production planning is vital for effective production and low warehousing costs, but also for delivery reliability to the customers.

Flexibility

A production line is often used for several different products. Rapid changeovers and cleaning are vital for high machine capacity utilisation. Flexibility also means that each employee is able to work on several different lines.

High and even quality

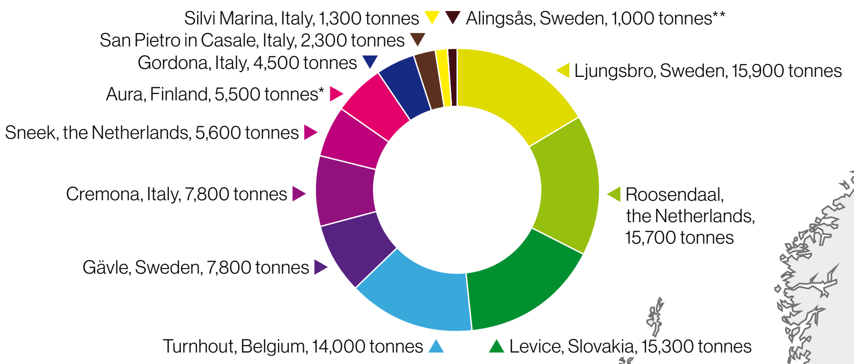
The goal is to always deliver safe products with the right flavour, appearance and consistency according to their respective specifications.

Cost-efficiency

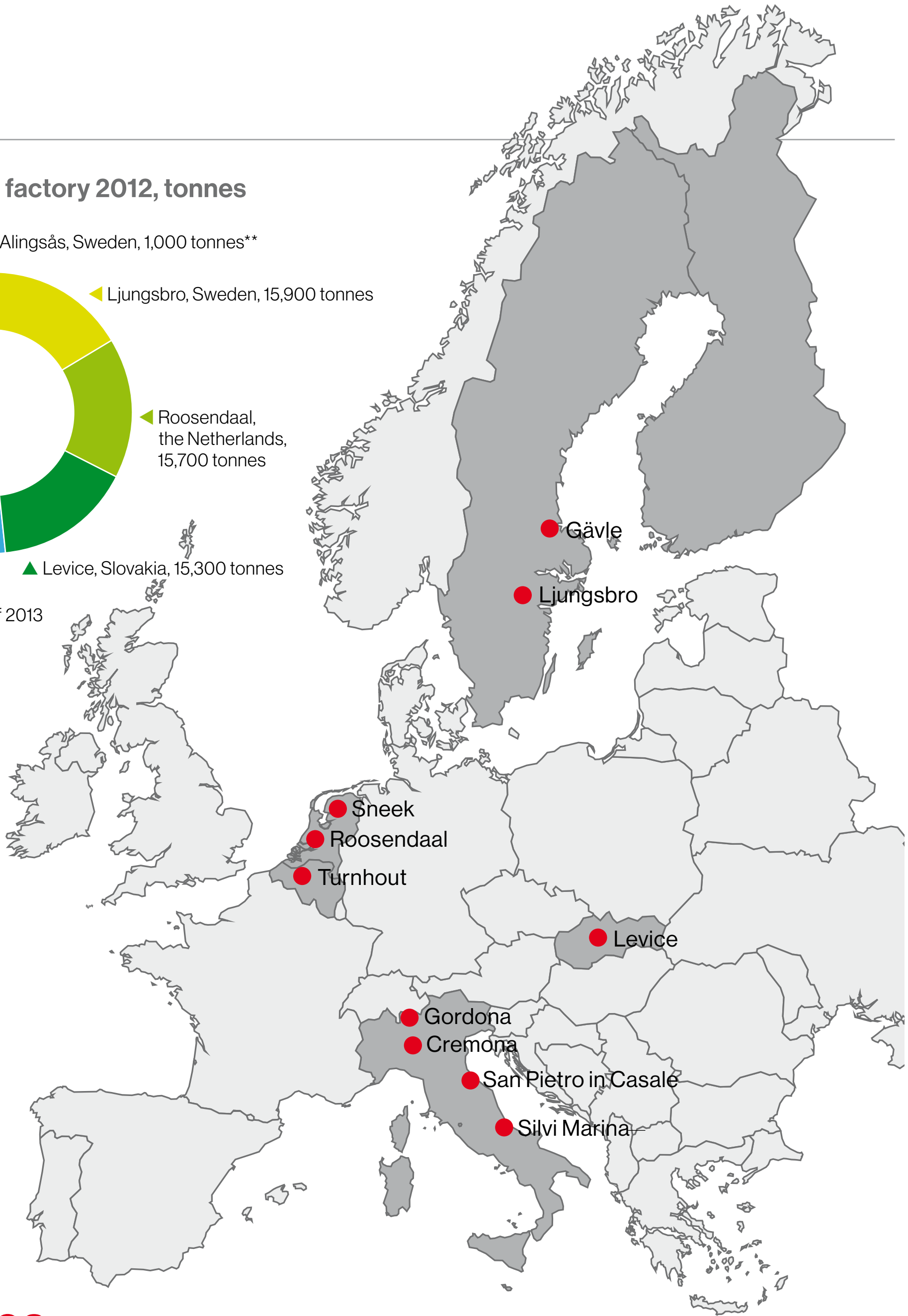
Cloetta's sales are based on large volumes. Cost-efficiency is necessary to offset the effects of competition.

Factories

Production by factory 2012, tonnes



* The factory was closed in the beginning of 2013
** The factory was closed in 2012



At year-end 2012 Cloetta had 11 factories in six countries. The factory in Alingsås, Sweden, was closed during 2012. In the first quarter of 2013 the factory in Aura, Finland, was also closed and its production was moved to other factories in Europe. In 2012 the factories produced a total of 96,700 tonnes of confectionery, which is equal to 384 tonnes per working day. The factory in Ljungsbro, Sweden, had the highest production volume during 2012. The factory with the most employees is that in Levice, Slovakia, where production will be increased significantly during 2013.

Overview of factories

Ljungsbro, Sweden

Production volume in 2012:	15,900 tonnes
Number of plant employees:	Approx. 230
Number of production lines:	12 machine lines with online packaging, 6 packaging lines
Largest brands:	Kexchoklad, Center, Polly, Plopp, Bridge, Juleskum
Manufacturing methods:	Chocolate moulding, mogul moulding*, coating and wafer production
Certifications:	BRC Global Standard for Food Safety and ISO 14001

Roosendaal, the Netherlands

Production volume in 2012:	15,700 tonnes
Number of plant employees:	Approx. 140
Number of production lines:	5 production lines, 9 packaging lines
Largest brands:	Red Band, Malaco, Venco, Lakrisal
Manufacturing methods:	Mogul moulding*, coating and compression of pastilles
Certifications:	BRC Global Standard for Food Safety

Levice, Slovakia

Production volume in 2012:	15,300 tonnes
Number of plant employees:	Approx. 660
Number of production lines:	10 production lines, 14 packaging lines
Largest brands:	Malaco, Red Band, Chewits, Venco, Läkerol Dents, Mynthon
Manufacturing methods:	Mogul moulding*, extrusion, coating, hard boiled candy manufacturing and chewing toffee manufacturing
Certifications:	BRC Global Standard for Food safety

Turnhout, Belgium

Production volume in 2012: 14,000 tonnes
Number of plant employees: Approx. 110
Number of production lines: 2 production lines, 4 packaging lines
Largest brands: Malaco, Red Band
Manufacturing methods: Mogul moulding*
Certifications: BRC Global Standard for Food Safety

Gävle, Sweden

Production volume in 2012: 7,800 tonnes
Number of plant employees: Approx. 150
Number of production lines: 2 production lines, 8 packaging lines
Largest brands: Läkerol, Ahlgrens bilar, Zoo, Fruxo, PimPim
Manufacturing methods: Mogul moulding*
Certifications: BRC Global Standard for Food Safety and ISO 14001

The factory is planned for closure at the beginning of 2014. Production of Ahlgrens bilar will be moved to Ljungsbro and the other products to Levice, Slovakia.

Cremona, Italy

Production volume in 2012: 7,800 tonnes
Number of plant employees: Approx. 120
Number of production lines: 8 production lines, 23 packaging lines
Largest brands: Sperlari, Dietorelle, Galatine, Dondi
Manufacturing methods: Hard boiled candy manufacturing, compressing of pastilles and nougat forming
Certifications: ISO 9001, ISO 14001 and OHSAS 18001

Sneek, the Netherlands

Production volume in 2012: 5,600 tonnes
Number of plant employees: Approx. 100
Number of production lines: 5 production lines, 19 packaging lines
Largest brands: Sportlife, Xylifresh, King, Jenkki
Manufacturing methods: Extrusion and coating of chewing gum, hard boiled candy manufacturing and compression of pastilles
Certifications: BRC Global Standard for Food Safety and ISO 14001

Gordona, Italy

Production volume in 2012: 4,500 tonnes
Number of plant employees: Approx. 60
Number of production lines: 3 production lines, 10 packaging lines
Largest brands: Sperlari, Red Band, Galatine, Kick
Manufacturing methods: Mogul moulding* and toffee manufacturing
Certifications: ISO 9001, ISO 14001 and OHSAS 18001

San Pietro in Casale, Italy

Production volume in 2012: 2,300 tonnes
Number of plant employees: Approx. 90
Number of production lines: 4 production lines, 10 packaging lines
Largest brands: Dietor, Dietorelle, Läkerol, Fruttil
Manufacturing methods: Manufacturing of sweetener and mogul moulding*
Certifications: BRC Global Standard for Food Safety, ISO 14001 and OHSAS 18001

Silvi Marina, Italy

Production volume in 2012: 1,300 tonnes
Number of plant employees: Approx. 50
Number of production lines: 4 production lines, 10 packaging lines
Largest brands: Saila
Manufacturing methods: Coating and compression of pastilles
Certifications: ISO 9001, ISO 14001 and OHSAS 18001

* Moulding in starch

Purchasing of raw materials

Raw materials account for around 60% of total production costs. In terms of value, the most significant raw materials are sugar, glucose syrup, polyols, cocoa, milk powder and packaging. The purchasing prices for raw materials have risen markedly in recent years, which was particularly pronounced in 2012.

Raw material prices have reached historically high levels and although the prices of individual raw materials can fluctuate during a single quarter, Cloetta's total raw material costs have been high in the past two years and are expected to remain high.

The raw materials that Cloetta purchases are commodities for which the price is set on the international European commodities exchanges, either directly as in the case of cocoa or indirectly as for glucose syrup, whose price is mainly determined by the price of wheat. This means that Cloetta's purchasing costs for these items are dependent on market pricing. The total cost is also affected by more efficient use of raw materials.

Cloetta has a central purchasing unit that can thereby ensure more efficient purchasing both by consolidating and by exploiting local purchasing opportunities. As a rule, the central purchasing unit pre-purchases the most important raw materials so that they are accessible for a period equal to 6-9 months of production. This also creates predictability in prices and financial outcomes, since cost increases affect Cloetta's purchasing costs at a certain delay. In addition, this often makes it possible to avoid temporary price hikes in the commodities market.

AGRICULTURAL POLICY

The prices of most of Cloetta's raw materials are affected by agropolitical decisions regarding subsidies, trade barriers, etc. The EU is currently drafting a new agricultural policy reform that will go into force in 2014 and will most likely change the market conditions for commodities like sugar, milk powder and grain in the EU.

The prices of agricultural commodities are naturally also affected by supply and demand, i.e. the size of the harvest and consumption of food products. In recent years, speculative trading of agricultural commodities has increased dramatically, which has contributed to greater price volatility. Increased use of grain for hemagogue agents has also contributed to rising prices.

SUPPLIERS

Cloetta uses several suppliers for the majority of its raw materials, but significant consolidations have taken place and this has sometimes made it difficult to find alternative suppliers. The ten largest suppliers of raw materials and packaging account for 41% of the total purchasing volume.

All suppliers to Cloetta are evaluated and approved before they are permitted to deliver materials to the factories. Certain suppliers are physically audited at regular intervals by Cloetta's employees.

COST TREND

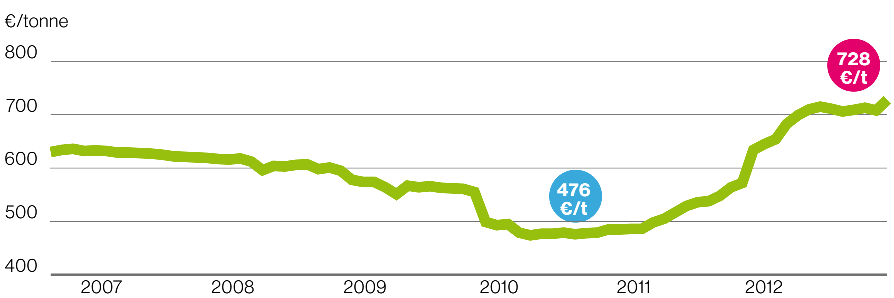
Sugar

In recent years the sugar price has reached record levels. The EU consumes some 16 million tonnes of sugar annually, but produces only around 13 million tonnes that are permitted for use in manufacturing of food products. The deficit is an effect of the partial deregulation and quota system that have been introduced in the EU. At the same time that there is a shortage of sugar in Europe, imported sugar has been levied with customs duties that have pushed up sugar prices in the EU to a level far higher than the global market price. A new decision on the current quota system for sugar is awaited in 2013, when it will be determined whether the system will cease in 2015 or be extended with a risk for continued artificially high sugar prices.

Cocoa

Although the price of cocoa is lower than it was a year ago, it remains high. The cocoa price is often subject to sharp fluctuations that are partly explained by the fact that the cocoa exchange is comparatively small and therefore of interest for speculation. The cocoa price is naturally also dependent on the level of supply, i.e. the harvest and trends in demand. Furthermore, the cocoa bean price is affected by the political situation in the Ivory Coast, from which most of Europe's cocoa is sourced.

Sugar price development, EU quota price



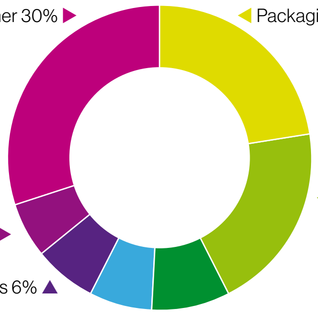
Source: European Commission

Other raw materials and packages

The price of wheat and corn has a powerful influence on the price of glucose syrup. Poor harvests due to global weather conditions, such as the drought in the USA, which was exacerbated by speculation, have driven up the price to historically high levels. The price of polyols is less affected by grain prices and has not risen as dramatically.

The American drought has also impacted the price of milk powder in Europe, due to decreased exports of milk powder from the USA. Added to this, packaging costs have reached a historical high level.

Breakdown of raw material and packaging costs



Thomas Dahlström

In the past autumn the factory in Ljungsbro took over manufacturing of the Royal chocolate bar, which is sold in Finland and was previously produced outside the Group. Those responsible for developing the new product, were factory operative Anders Samuelsson and Resource Manager Thomas Dahlström.

"The big challenge in producing an existing brand is to make the chocolate taste exactly the way consumers are used to. Both we and the Finnish sales organisation are highly satisfied with the quality of the end results. The product tastes right and in terms of appearance, the overall impression is even better than before," according to Anders.

"The chocolate has to taste exactly the way consumers are used to"

"We are delighted to be able to add new products to our chocolate line. There is available capacity and we naturally want to utilise our equipment as effectively as possible. The Royal chocolate bar was the first step and there are several development projects underway," says Thomas.

Share and shareholders

Cloetta's class B share has been listed on NASDAQ OMX Stockholm, Nordic List, since 16 February 2009. The share is traded under the ticker symbol CLA B with ISIN code SE0002626861 and the company's unlisted class A shares have ISIN code SE0002626853. The Cloetta share is included in the NASDAQ OMX Mid Cap index, and in the Nordic and Swedish industry indexes for Food Producers, Food & Beverages and Consumer Goods.

SHAREHOLDERS

At 31 December 2012 Cloetta AB had 4,667 shareholders, of whom 308 were financial and institutional and 4,359 were private investors. Financial and institutional investors held 93.7% of the votes and 91.7% of the share capital. There were 164 foreign shareholders, who accounted for 45.2% of the votes and 59.1% of the share capital. The principal shareholders in Cloetta are AB Malfors Promotor, Godis Holding S.á.r.l., which is owned by funds under the advisorship of CVC Capital Partners, and Cidron Pord S.á.r.l, which is owned by Nordic Capital Fund V.

AB Malfors Promotor was Cloetta's largest shareholder in terms of voting rights with a holding representing 40.2% of the votes (39.9% after full exercise of the outstanding option programme issued by the three principal shareholders) and 21.8% of the share capital in the company.

Following completion of the rights issue in April 2012, the principal shareholders in Cloetta were Yllop Holding S.A. and AB Malfors Promotor. In April 2012, Yllop Holding S.A's holding in Cloetta was divided and transferred to Cidron Pord S.á.r.l. and Godis Holdings S.á.r.l. At 31 December 2012, Godis Holdings S.á.r.l. held shares corresponding to 21.9% of the votes in the company and 28.6% of the share capital. Cidron Pord S.á.r.l. held shares corresponding to 16.3% of the votes and 21.3% of the share capital in the company. The ten largest shareholders accounted for 91.4% of the votes and 88.7% of the share capital.

SHARE PRICE AND TRADING

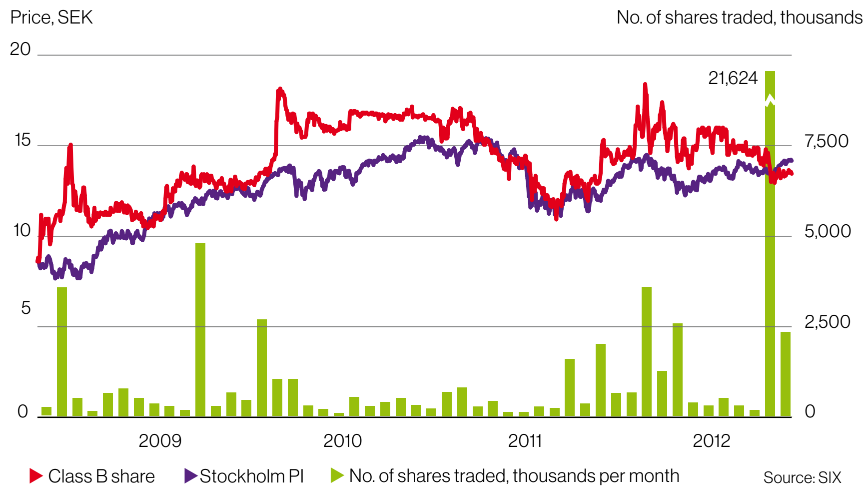
Cloetta's class B share has been listed on NASDAQ OMX Stockholm (Small Cap) since 16 February 2009. On 2 July 2012, NASDAQ OMX Stockholm moved Cloetta from the Small Cap to the Mid Cap list. The Mid Cap segment includes companies with a market capitalisation of between EUR 150m and EUR 1 billion.

During the period from 1 January to 31 December 2012, 32,931,684 shares were traded for a combined value of SEK 479m, equal to around 12% of the total number of class B shares on the NASDAQ OMX Stockholm at the end of the period. During the same period, 170,638 class B shares were traded on Burgundy for a value of SEK 2.8m.

The highest quoted bid price during the period from 1 January to 12 March 2012 was SEK 40.00 and the lowest was SEK 31.50. During the period from 13 March to 31 December 2012, the highest quoted bid price was SEK 20.00 and the lowest was SEK 12.85. The share price on 31 December 2012 was SEK 13.45 (last price paid). Cloetta raised capital through a rights issue during March and April 2012. To illustrate the effects of the rights issue on the share price, the closing share price on 12 March 2012 (last day of trading including the right to receive subscription rights) was SEK 37.50 and the closing share price on 13 March 2012 (first day of trading without the right to receive subscription rights) was SEK 17.00. During the period from 1 January to 31 December 2012, the NASDAQ OMX Stockholm PI index rose by 12.0%.

Share price performance since listing

in February 2009 until 31 December 2012[1]

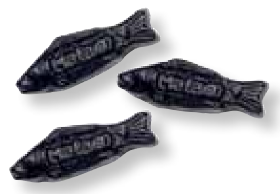


1) Adjusted for the effects of the new share issue in March 2012.

Development of the share capital

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

Source: Euroclear



Ten largest shareholders at 31 December 2012

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
AB Malfors Promotor	40.2	21.8	63,063,560	9,855,934	53,207,626
Godis Holdings S.á.r.l.	21.9	28.6	82,525,466	0	82,525,466
Cidron Pord S.á.r.l.	16.3	21.3	61,336,079	0	61,336,079
Lannebo fonder	4.8	6.3	18,260,138	0	18,260,138
Nordea Investment Funds	3.3	4.3	12,386,305	0	12,386,305
Ulla Håkanson	1.3	1.7	5,000,000	0	5,000,000
Handelsbanken Fonder	1.1	1.5	4,241,812	0	4,241,812
AMF – Försäkring och Fonder	1.0	1.3	3 622 075	0	3,622,075
JPM Chase NA	0.8	1.0	2,834,599	0	2,834,599
BNP Paribas Securities Services	0.7	0.9	2,473,400	0	2,473,400
Total, 10 largest shareholders	**91.4**	**88.7**	**255 743 434**	**9 855 934**	**245,887,500**
Other shareholders	8.6	11.3	32 875 865	5 680	32,870,185
Total	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**

In February 2012, one of Cloetta's principal shareholders, Godis Holdings S.á.r.l., reduced its holding by 34,000,000 shares. The main buyers were AMF Försäkring och fonder and Lannebo Fonder. The current holdings for the ten largest shareholders can be found at www.cloetta.com. Source: Euroclear

Size categories
at 31 December 2012

	No. of share-holders	Total no. of shares	No. of A shares	No. of B shares	% of capital	% of votes
1–100	1,258	56,417	75	56,342	0.0	0.0
101–500	1,308	393,738	1,710	392,028	0.1	0.1
501–10,000	1,865	4,453,600	2,925	4,450,675	1.5	1.2
10,001–50,000	139	3,263,416	500	3,262,916	1.1	0.9
50,001–	97	280,452,128	9,856,404	270,595,724	97.3	97.8
Total	**4,667**	**288,619,299**	**9,861,614**	**278,757,685**	**100**	**100**

Source: Euroclear

Shareholder categories
at 31 December 2012

	% of votes	% of capital	No. of share-holders	Share-holders, %
Private investors	6.3	8.3	4,359	93.4
Of which, Swedish	6.3	8.3	4,324	92.7
Financial and institutional	93.7	91.7	308	6.6
Of which, Swedish	48.5	32.7	179	3.8
Total	**100**	**100**	**4,667**	**100**
Of which, Swedish	54.8	40.9	4,503	96.5

Source: Euroclear

Shareholders by country at 31 December 2012

	No. of shareholders	% of votes	% of capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	4,503	54.8	40.9	118,126,596	9,861,614	108,264,982
Luxembourg[1]	7	38.2	49.9	144,093,460	0	144,093,460
Finland	37	3.2	4.1	11,893,174	0	11,893,174
United Kingdom	21	2.7	3.5	10,046,900	0	10,046,900
Other countries	99	1.1	1.6	4,459,169	0	4,459,169
Total	**4,667**	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**

1) Includes two of Cloetta's largest shareholders, Godis Holdings S.á.r.l. and Cidron Pord S.á.r.l.
Source: Euroclear

SHARE CAPITAL AND CAPITAL STRUCTURE

Cloetta's share capital at 31 December 2012 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. According to the Articles of Association, the share capital shall amount to at least SEK 400,000,000 and at most SEK 1,600,000,000, divided between not fewer than 80,000,000 shares and not more than 320,000,000 shares.

Cloetta's Articles of Association contain a CSD provision and the company's shares are affiliated with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share register and registers the shares to owners. Each A share grants the right to ten votes and each B share to one vote in shareholder meetings. All shares grant equal entitlement to participate in the company's profits and an equal share in any surplus arising on liquidation.

The rights issue that was carried out in the spring of 2012 was fully subscribed, which raised the number of shares in Cloetta by 9,440,000 class A shares and 89,305,900 class B shares and increased the share capital by SEK 493,729,500. This was equal to an increase in the share capital by around 52%.

In connection with the merger between Cloetta and LEAF, class C shares were issued as part of the purchase consideration for the acquisition of LEAF. These represented 57.6% of the share capital in Cloetta after full dilution for the issue of new class A and B shares with preferential rights for holders of class A and B shares that was carried out in the spring of 2012. The reason for issuing class C shares was that these did not grant entitlement to participate in the rights issue. The C shares have been converted to B shares, after which there are no longer any outstanding C shares in Cloetta.

Malfors Promotor has undertaken, in relation to CVC and Nordic Capital, to convert parts of its holding of class A shares to B shares so that Malfors Promotor's share of the total number of votes in Cloetta after conversion is equal to 39.9% in the first phase and 33.34% in the second phase. Conversion to 40.2% (39.9% after full exercise of the outstanding option programme issued by the three principal shareholders) was carried out in December 2012. 1,938,386 class A shares were then converted to class B shares, after which the number of votes in Cloetta decreased by 17,445,474. In accordance with Cloetta´s Article of Association, all other holders of class A shares in Cloetta were asked to notify the company of any interest in exchanging class B for class A shares. However, none of the holders of class A shares requested such exchange. Conversion to 33.34% will take place when Cloetta's net debt to EBITDA ratio is lower than a multiple of 2.7 according to the stipulations in the loan agreement between Cloetta and Svenska Handelsbanken AB (publ), at which time Cloetta will also be free under the loan agreement to decide on and pay dividends.

The stated percentages for Malfors Promotor's conversion undertaking apply on a fully diluted basis for the outstanding incentive schemes in Cloetta. Currently, there is no incentive scheme issued by Cloetta available. However, Cloetta's principal shareholders (Malfors Promotor, CVC and Nordic Capital) have offered members of the Group Management Team and certain other key staff opportunity to acquire call options on market-based terms. For more information, see page 107. Furthermore, the shares that have been acquired by Malfors Promotor after the settlement date for the rights issue, including any shares subscribed for by Malfors Promotor as a result of the issue guarantee, will not be included in the calculation.

SHAREHOLDER AGREEMENT

Shareholder agreement between Malfors Promotor, CVC and Nordic Capital

In connection with the merger between Cloetta and LEAF in February 2012, a shareholder agreement was signed between the three principal shareholders Malfors Promotor, CVC and Nordic Capital regarding these parties' shareholdings in Cloetta. According to the agreement, Cloetta's Board of Directors shall consist of nine members elected by the general meeting of shareholders. Malfors Promotor, CVC and Nordic Capital have the right to nominate two Board members each, on the understanding that the aforementioned parties shall exercise their influence in Cloetta to ensure that individuals nominated in this manner are elected to Cloetta's Board of Directors. In addition, Malfors Promotor, CVC and Nordic Capital shall together nominate three independent members of the Board of Directors.

The Chairman of the Board of Directors shall be one of the independent board members.

If any of the aforementioned shareholders' holdings in Cloetta is less than 10% of the share capital but more than 5% of the share capital, the shareholder shall have the right to nominate one member of the Board of Directors. If a party's holding falls below 5% of the share capital, the right to nominate any member of the Board of Directors shall be forfeited and the shareholder agreement shall cease to apply to the party in question. As long as CVC and Nordic Capital together hold at least 10% of the share capital in Cloetta and are together one of the company's three largest shareholders in terms of voting power, Malfors Promotor shall endeavour to ensure that CVC and Nordic Capital are represented on the nominating committee. The shareholder agreement also contains rules regarding quora which state that the Board of Directors is quorate only if at least one member of the Board of Directors appointed by Malfors Promotor is present, and as long as CVC and Nordic Capital have the right to nominate two members of the Board of Directors of Cloetta, at least one member of the Board of Directors appointed by CVC and Nordic Capital each is present. Furthermore, the shareholder agreement contains items such as stipulations regarding the parties' right to representation on the audit committee.

The shareholder agreement also states that two types of board decisions (so-called veto issues) require one member of the Board of Directors nominated by each of the parties Malfors Promotor, CVC and Nordic Capital to participate in the decision. These veto issues, which are primarily established in Malfors Promotor's interest, are linked to decisions for downsizing at Cloetta's plant in Ljungsbro and refinancing of the Group with the aim of paying dividends to shareholders, if such refinancing means that the Group's indebtedness exceeds predetermined levels in relation to operating profit.

Lock-up agreements, etc.

In the aforementioned shareholder agreement, Malfors Promotor has undertaken not to sell any shares in Cloetta for a period of two years from the execution of the issue in kind of class C shares to CVC and Nordic Capital through Yllop Holding S.A. (former Leaf Holding S.A.). The issue in kind was completed in mid-February 2012.

Furthermore, Malfors Promotor has stated that the company's intention is to remain an anchor investor in Cloetta in the long term.

Shareholder agreement between Malfors Promotor and Fazer et al. regarding prohibition on purchasing shares in Cloetta

Oy Karl Fazer Ab, Conclo Ab, Oy Cacava Ab and certain private individuals affiliated with Oy Karl Fazer Ab have, in relation to Malfors Promotor, undertaken to refrain from acquiring, directly or indirectly, shares in Cloetta during a ten-year period starting on the first date of trading for Cloetta's class B shares on NASDAQ OMX First North on 8 December 2008, provided that the Hjalmar Svenfelt Foundation does not reduce its direct or indirect holding during this period to a level of less than 30% of the votes in Cloetta.

MARKET MAKER

Cloetta has commissioned Pareto Öhman AB to act as market maker for Cloetta's class B shares. The goal is to enhance the liquidity of the share and reduce the spread between bid and ask prices in day-to-day trading. Under the agreement, Pareto Öhman AB will post buy and sell volumes of at least SEK 30,000 each with a maximum bid-ask spread of 4% calculated on the offered bid price. The agreement is valid until further notice.

INDIVIDUALS WITH REPORTING OBLIGATIONS

The individuals belonging to the Board of Directors, the Group Management, the authorised public accountant Helene Willberg, a number of employees/contractors in Cloetta and individuals with certain functions in the Group's subsidiaries who have a position that can normally be assumed to permit access to unpublished share price sensitive information have been reported to the Swedish Financial Supervisory Authority as insiders in Cloetta. These individuals are obligated to report changes in their holdings of financial instruments in Cloetta according to the Act Concerning Reporting Obligations for Certain Holdings of Financial Instruments.

INVESTOR RELATIONS

In connection with the interim reports during 2012, Cloetta has featured webcasts of press and analyst conferences and held meetings with analysts and investors in Stockholm, Helsinki and London.

The following analysts regularly monitor Cloetta's development:

- Carnegie, Fredrik Villard
- Carnegie, Christian Hellman
- Danske Bank, Mikael Holm
- Deutsche Bank, Catherine Farrant
- Handelsbanken, Peter Wallin
- Nomura, David Hayes

SILENT PERIODS

Cloetta observes a silent period starting at least 30 days prior to publication of its interim reports. During this period, Cloetta's representatives refrain from meeting with the financial media, analysts or investors.

CONVERTIBLE NOTE PROGRAMME

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

INCENTIVE SCHEMES

Cloetta's principal shareholders following the merger – Malfors Promotor, CVC and Nordic Capital (through holding companies) – have informed Cloetta's Board of Directors that individuals in the Group Management Team and certain other key staff in the Group have acquired call options on market-based terms. The call options have been issued by the principal shareholders in order to promote commitment to the company's development. The call options will expire during three different time periods, the first in December 2013, the second in December 2014 and the third in December 2015. The options comprise the aggregate of 15,251,303 class B shares in the company (subject to recalculation according to the customary terms). Cloetta is not contributing to the call option scheme and will not incur any costs related to the scheme. The call option scheme will not lead to any dilution of the current shareholders' holdings.

For information about the executive management's holdings of call options, see "Group Management Team", on pages 76–77.

DIVIDEND

Dividend policy

Cloetta's long-term intention is a dividend payout of 40–60% of profit after tax. Neither the Swedish Companies Act nor Cloetta's Articles of Association contain any restrictions regarding the right to dividends for shareholders outside Sweden. However, the financing agreement with Svenska Handelsbanken AB (publ) states that Cloetta may not to decide on or pay dividends until Cloetta's net debt to EBITDA ratio is lower than a multiple of 2.7.

Aside from any limitations related to banking or clearing activities in the affected jurisdictions, payments to foreign shareholders will be carried out in the same manner as to shareholders in Sweden.

In the coming years, the main focus will be on reinvesting the company's strong cash flows in order to further strengthen competitiveness through rationalisations, product development, marketing initiatives and amortisation of bank loans. As a result of this, no dividend is expected within 2–3 years following the merger in February 2012.

The dividend is resolved on by the Annual General Meeting (AGM) and disbursement is handled by Euroclear Sweden AB. The right to dividends is granted to those persons who on the record date established by the Annual General Meeting are listed as shareholders in the share register maintained by Euroclear Sweden AB.

Corporate responsibility

Cloetta's corporate responsibility rests on a balance between social, environmental and financial aspects in all parts of operations. Cloetta's commitment to corporate responsibility is founded on the company's core values. Cloetta's code of conduct contains guidelines for the employees' actions in relation to consumers, customers, suppliers, shareholders and colleagues.

Following the merger between Cloetta and LEAF, a process has been started in which Cloetta's total corporate responsibility is being reviewed.

REPORTING PERIOD AND GUIDELINES

This is Cloetta's third sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines, G3. The report meets the criteria in level C and has not been externally assured. The contents refer the financial year from 1 January 2012 to 31 December 2012 and include all of Cloetta's activities unless otherwise specified. Cloetta's ambition is to report on its sustainability performance every year in the annual report. Changes compared to the previous report are mainly related to the merger between Cloetta and LEAF, which has affected parameters such as the key performance indicators that are presented in this sustainability report.

The sustainability report and corporate governance report are part of the annual report for the financial year 2012. To avoid redundancy, references are sometimes made to these two reports including the section with the message from the CEO on pages 4–5. On page 5 Cloetta presents a summarised table that shows where in the annual report the different GRI performance indicators can be found.

The sustainability report is designed to reflect the company's economic, environmental and social impacts. The performance indicators and metrics that Cloetta has chosen to present have been selected in view of their significance and relevance to the company's operations.

Cloetta's corporate responsibility

SCOPE

The sustainability report covers Cloetta's own operations, meaning Cloetta's direct impact on the environment and people. All of Cloetta's production and virtually all sales take place in Europe and all of Cloetta's direct suppliers, with a few exceptions, are found in Europe, where there are laws that regulate human rights.

Product responsibility and product safety are an integral part of Cloetta's production process and are described on page 28.

However, Cloetta has a certain responsibility for the entire product value chain, from raw material supplier to recycling of the product packages. All of Cloetta's suppliers of direct materials undergo an approval process in which their sustainability work is evaluated. This process is described under "Purchasing" on pages 28–29.

For raw material suppliers with which Cloetta has no direct supplier relationship, such as growers in developing countries, Cloetta is responsible for promoting development toward better environmental and working conditions. Read more about Cloetta's involvement in international initiatives on pages 50–51.

ORGANISATION FOR SUSTAINABILITY WORK

Cloetta's sustainability work is overseen by the Director Corporate Responsibility, who functions as a conduit for issues related to corporate responsibility and is charged with identifying prioritised areas, acting as a link between the company's stakeholders and management and supporting the implementation of Cloetta's strategy for corporate responsibility.

AWARDS DURING THE FINANCIAL YEAR

During the year, Cloetta in the Netherlands was presented with the "Lean and Green" award. The award was granted for a commitment to reducing CO_2 emissions from transports by 20% over a five-year period. Cloetta's commitment has resulted in an action plan together with business partners where the focus is on:

- Using a modern fleet of transport vehicles.
- A training program for drivers (eco-driving).
- Optimising use of freight capacity in the vehicles.

CLOETTA'S STAKEHOLDERS

Cloetta's stakeholders and target groups include customers, consumers, employees, shareholders, investors, business partners/suppliers and the public/society. These groups are crucial for Cloetta's long-term survival. Cloetta has a continuous, open dialogue with the most important stakeholders based on the expectations and requirements of each stakeholder group, see page 39.

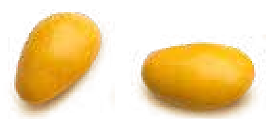
INTERNATIONAL SUSTAINABILITY INITIATIVES

Cloetta is involved in industry associations and non-profit/non-governmental organisations that are working to accelerate development towards more sustainable raw material production, primarily of cocoa but also palm oil. Read more about this in the section "Responsibility for raw material producers" on page 50.

Core stakeholder issues for sustainability

Stakeholder	Key issues – sustainability	Communication and cooperation
Customers/consumers	Product safety and quality. Our brands. Clear declarations of ingredients. Eco-friendly packages. Cloetta takes responsibility for the environment and working conditions as far as possible. Ethics in general. Efficient transports to the retail trade.	With consumers through various surveys and via the websites and social media. With customers through personal customer and sales meetings and via customer surveys, but also collaborative initiatives for eco-friendly transports.
Employees	A good and stimulating working situation. A safe working environment. Health and fitness activities. Ethical issues in general, but also good financial development for the company.	Daily meetings to discuss occupational health and safety in the factories, annual performance reviews with all employees, systematic skills development activities, up-to-date information via managers, the intranet and union representatives. Since 2011 Cloetta conducts the Great Place to Work survey every other year.
Shareholders and investors	Sustainable long-term financial value growth. Ethical issues in general.	Annual report, website, analyst and investor meetings, interim reports and the annual general meeting.
Suppliers and other business partners	Ethics and business codes in procurement. Product safety. Sustainable long-term development. Support of human rights.	Collaborative projects for sustainability. Supplier evaluations, sponsorship evaluations and development projects.
The public/society	Cloetta takes responsibility for the environment and working conditions as far as possible. Laws, regulations and standards. Cloetta makes a positive contribution to social development, including the local environment.	The local communities/municipalities around Cloetta's factories with regard to the local environment, public authorities in areas related to occupational health and safety, environmental and product responsibility, schools and universities, certification bodies for ISO and BRC and key opinion leaders.

Economic impact



Production and sales of Cloetta's products generate economic values that benefit stakeholders.

Economic value generated and distributed (SEK M)	Stakeholders	2012	2011
Revenue	Customers	4,859	4,658
Other operating income	Business partners	13	1
Financial income including exchange differences	Business partners	25	–1
Total generated value		**4,897**	**4,658**
Distributed as			
Costs excluding payroll	Suppliers/business partners	–3,454	–3,217
Payroll and other compensation	Employees	1,293	–1,082
Financial expenses	Business partners	–290	–599
Income tax	Government	67	172
Loss for the year		**–73**	**–68**

Cloetta has the opportunity to receive indirect support from the public sector over a ten-year period through a tax credit in Slovakia.

Cloetta in society

Cloetta has always been permeated by a commitment to corporate responsibility. It is part of the company's culture and tradition to safeguard people, society and the environment. Cloetta is primarily involved in its local markets but also takes part in projects at the global level.

This commitment is expressed in projects that support the local markets where Cloetta is active. These can include environmental projects that are driven within the framework of Cloetta's environmental work and projects to promote an active and healthy lifestyle. They can also be focused on global issues, such as development projects, where the aim is to achieve sustainable cultivation and production of raw materials in countries of origin. Read more about our projects and commitment on the next few pages.

LOCAL COMMITMENT

The local commitment to sustainable development is aimed at strengthening the surrounding community but also Cloetta's brand both within and outside the company. This commitment is mainly focused on consideration to the local environment where Cloetta's production facilities are based, but can also consist of other activities. Cloetta maintains an ongoing dialogue with local authorities in the locations where it has factories, as well as with the media and schools/universities, among others.

CLOETTA'S CODE OF CONDUCT

Cloetta's code of conduct guides the way in which the company is managed from a social, environmental and financial perspective. It is based on Cloetta's core values: Focus, Passion, Teamplay and Pride.

The code of conduct covers the entire value chain, from raw material to consumer, and applies to all activities in all markets and countries where Cloetta is represented. The principles in the code of conduct are consistent with:

Value chain

Suppliers

- All suppliers of raw materials and other manufacturing materials undergo an approval process in which both product safety and corporate responsibility aspects are evaluated.
- Cloetta promotes sustainable production of raw materials like cocoa and palm oil.
- All packaging material can be pre-sorted.
- Cloetta strives to avoid unnecessary transport packaging and optimise use of freight capacity, and thereby reduce emissions of CO_2.

Production

ENVIRONMENT

- Development of more energy-efficient processes.
- Waste is sent to material recycling and energy recovery.
- Systematic environmental management in all production units.

OCCUPATIONAL HEALTH AND SAFETY

- A focus on personal safety.
- OHS activities with systematic monitoring and follow-up.

PRODUCT SAFETY

- Product safety system.
- A focus on measures to prevent serious product returns.

- The UN's Declaration of Human Rights
- ILO conventions
- OECD guidelines for multinational enterprises
- ICC framework for responsible marketing of food and beverages
- The European Brand Association

GENERAL PRINCIPLES

Cloetta – every day

For Cloetta, it is important to have clearly defined guidelines for mutual respect and a shared set of core values. Cloetta recognises and supports the ten principles in the UN's Global Compact and works to promote these in the communities and environments where the company conducts business. Special emphasis is placed on:

- Equality and non-discrimination
- Freedom of association and collective bargaining
- Occupational health and safety
- Working hours

From raw material to cherished brands

Cloetta works with responsibility throughout the entire supply chain, from raw material to finished product. Cloetta supports the relevant ILO conventions and complies with the laws and rules in the countries where it conducts operations, and places the same demands on the company's suppliers. In order to become an approved supplier to Cloetta, the supplier must undergo an approval process and accept Cloetta's general supplier requirements.

Cloetta committed to product content

When it comes to product content and quality, Cloetta is subject to a number of national and international laws and rules. However, Cloetta wishes to take its responsibility further and is a forerunner in developing the content of the products. For example, Cloetta is conducting a long-term programme called NAFNAC (No Artificial Flavours No Artificial Colours), which is aimed at offering a portfolio of products that contain no artificial flavours or colours.

Cloetta's environmental impact

Systematic environmental management provides a foundation for Cloetta's efforts to minimise its environmental impact. Cloetta's environmental work is governed by the code of conduct, which states an ambition to comply with the applicable laws and rules, involve the employees and focus on continuous improvements in the environmental area. Cloetta's foremost environmental impact arises through water and energy consumption, wastewater emissions, waste and transports.

Cloetta supports

Cloetta continuously supports various types of projects and initiatives in the markets where the company is represented. The scope and focus of these projects varies over time. In the projects where the Group is involved, Cloetta strives to promote an active and healthy lifestyle.

Jenkki project

Cloetta conducted a survey among Finnish dental hygienists to chart their views on the dental health of Finnish young people. The results were alarming and showed that young Finns don't seem to be adequately concerned about their teeth. Hanna Korhonen, Marketing Director in Finland, explains:

"The results of the survey were dismaying and at Cloetta we started to think about how we could take responsibility and contribute to turning this trend around. Our Jenkki brand is the best known and most sold chewing gum on the Finnish market and it contains xylitol, which has a positive effect on dental health. So our idea is to let Jenkki inspire Finnish young people to take better care of their teeth.

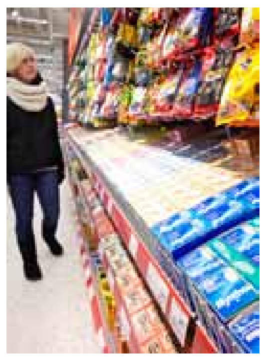
"The goal is for 100,000 Finnish young people to learn more about how to take care of their teeth. We will launch an educational programme in which we plan to bringing together 100 dental hygienists and 1,500 teachers with 50,000 young Finns. We look forward to raising the level of knowledge about good dental health among Finnish young people," says Hanna. Read more about the Jenkki project at www.leaf.fi

Transport

- As a rule, products are delivered to a central warehouse rather than to a large number of stores.
- Optimisation of freight capacity in the transport vehicles.

Customers

- Recyclable packaging.
- In general, our customers require us to have BRC certification.



Consumers

- Recyclable packaging.
- Feedback on comments and product returns.

Environmental responsibility

Cloetta works to reduce its environmental impact through systematic environmental management. Cloetta's greatest environmental impact comes from water and energy consumption, wastewater emissions, waste and transports. Viewed over the entire life cycle of the products, the most significant environmental impact arises in raw material and packaging production.

ENVIRONMENTAL MANAGEMENT SYSTEM

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. In addition, seven of ten factories are certified according to ISO 14001.

ENVIRONMENTAL WORK

Cloetta complies with the statutory environmental requirements and the Group is not party to any environmental disputes. Environmental initiatives are an integral part of Cloetta's operations and environmental aspects are taken into account when making decisions. Frequent evaluation and follow-up of measures increases awareness about the effects of different working methods on the environment.

WORKING METHODS

Every year, Cloetta carries out an assessment of environmental aspects to identify the existing risks and opportunities. Cloetta has an action plan that defines and governs the activities to be carried out in order to reduce the company's environmental impact.

PACKAGING

The packaging materials must perform several functions, such as protecting the product on its way to the consumer, enabling easy handling of the product and communicating the brand. The most commonly used consumer packaging method is flexibles, a material that can be recycled or incinerated.

ENVIRONMENTAL IMPACT AND PRIORITIES

Environmental impact in the confectionery industry arises among other things from water and energy consumption, wastewater emissions, waste and transports. Certain environmental effects are also caused by coolants, other chemicals, noise and particles. Outside Cloetta's direct influence, there is also significant environmental impact connected to production of raw materials and packaging.

The priorities for Cloetta's environmental work have been set based on how the direct operations impact the environment, the extent of this impact, the probability of unplanned environmental events occurring, the requirements of public authorities and other stakeholders and, finally, the extent to which Cloetta can influence development. The prioritised areas for Cloetta's environmental work are:

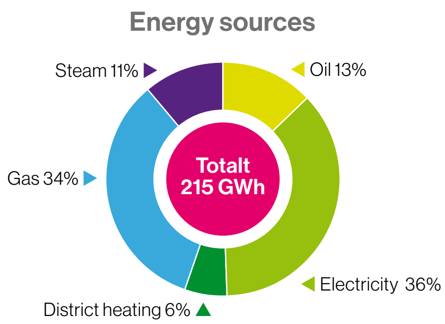
- Energy consumption
- Volume and attributes of wastewater
- Waste volume, type and recycling

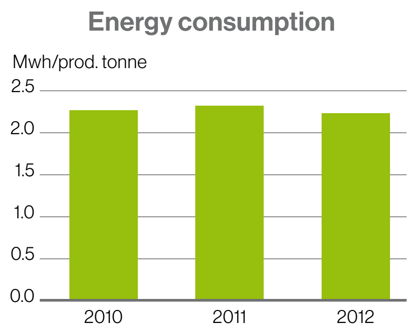
ENERGY CONSUMPTION

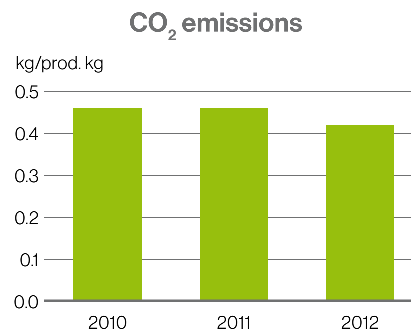
The Group's aggregate energy consumption during the financial year was around 215 GWh (226). Approximately 25 per cent of the total energy usage is independent on the production volume, i.e. related to heating and cooling of properties, while 75 per cent is directly linked to production.

CO_2 emissions

Alongside efforts to reduce energy consumption, Cloetta is also working to choose energy types with the smallest possible negative impact on the environment. For that reason, the total amount of energy used is converted to the amount of CO_2 equivalents generated by the chosen energy types.





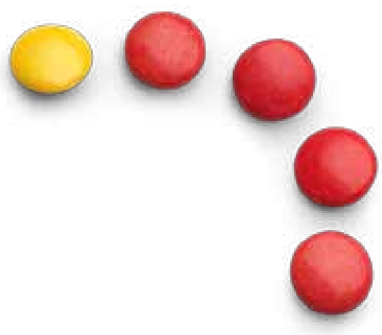


CO_2 equivalents linked to the Group's use of different energy types. Transports are excluded.

Key environmental performance indicators

	2012	2011	2010
Total production, tonnes	96,700	98,400	109,600
Total energy consumption, GWh	215	226	243
Energy consumption per produced tonne, MWh	2.23	2.32	2.27
CO_2 per produced kilo, kg	0.42	0.46	0.46
Wastewater per produced tonne, m^3	5.0	4.4	4.2
COD* per produced tonne, kg	28.1	22.6	24.6
Waste per produced tonne, kg	80	70	62
Recycled waste, %	49	64	63

* COD (Chemical Oxygen Demand) measures the amount of oxygen consumed in complete chemical decomposition of organic compounds in water.



Energy optimisation

With a supply chain consisting of 10 factories, energy-saving activities play an important role. Lower energy consumption means lower costs, and also decreases Cloetta's ecological footprint. Senior Project Engineer Martien Tromp explains:

"All of Cloetta's factories are covered by a centrally steered energy optimisation programme. Among other things, all factories conduct projects related to our steam traps and compressed air systems. One valuable lesson has been to include energy optimisation as part of our regular maintenance. This ensures that energy optimisation is part our day-to-day activities and continuous improvements in our factories.

Aside from joint activities, each factory drives unique projects to reduce energy consumption. The nature of these projects varies from factory to factory, but we naturally share our experience between the different units on an ongoing basis. In Levice, for example, new drying cabinets have been built based on experience from other parts of the Group. In 2013 we will start a project to study whether we can also decrease energy usage for drying cabinets in the other factories according to best practice," says Martien.

WASTEWATER

The volume of wastewater was 5.1m^3 (4.6) per produced tonne.

One key environmental target is to improve the wastewater quality. Cloetta rates this quality among other things in terms of COD (Chemical Oxygen Demand), which measures the amount of oxygen consumed in complete chemical decomposition of organic compounds in water. There are several projects underway to improve the quality of the wastewater. For example, read more about efforts at the factory in Roosendaal, at right.

WASTE MANAGEMENT

All of Cloetta's production units pre-sort their waste. The goal is to continuously develop waste management and reduce the total volume of production waste and other waste. A decrease in raw material wastage has a positive impact on both the environment and the Group's total costs. At present, 49% of the waste is recycled and the remaining 51% is used for energy production.

In 2012 the factory in Roosendaal took steps to increase the pH level of its wastewater. A pH level that is too low has a negative impact on the wastewater system as such, and a number of measures were therefore taken during the year to raise this level.

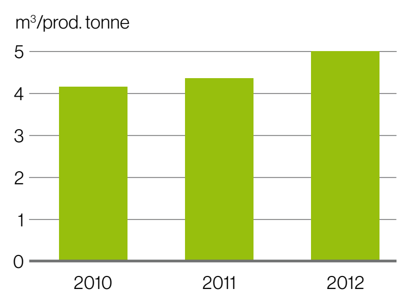
"By testing the system, we were able to understand and define the flows"

Conny Slot, QE Manager at the factory in Roosendaal, says:

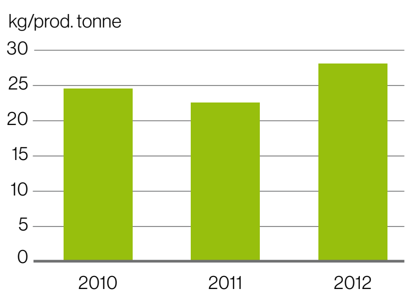
"One problem we've had with our wastewater is that it has sometimes been to acidic, so we started a project to find out why. By studying the wastewater system in the factory and conducting tests where we injected contrast media at different points in the system, we were able to better understand and define the flows. Once this was done, we could steer the flows more effectively so that a larger share of the acidic wastewater is transported to an internal tank where we can handle it instead of releasing into the wastewater system.

We have also devoted a lot of time to training our factory operatives. When it comes to the environmental impact of our operations, knowledge is vital and training of our operatives was focused on showing how to handle acid wastewater and how to clean the pipes and tanks as effectively as possible. So far, we are satisfied with the visible effects of our efforts and will continue to monitor development in 2013," concludes Conny.

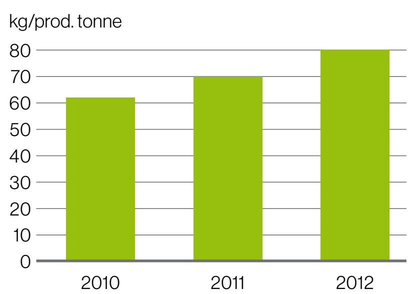
Wastewater



COD



Waste



One effect of the relocation of up to 40% of the Group's total production between different factories over a two-year period is an increase in the number of test runs. This, together with a lower production volume, has had a negative impact on the performance indicators above.

Employees

Cloetta is driven by a conviction that value is created by the employees, and that the ability to attract and retain the best and most competent people it is crucial for the company's success.

Cloetta therefore works determinedly to create an attractive workplace for all employees and promotes the development of a high-performing organisation by continuously developing its staff, designing competitive incentive systems, upholding an inspiring corporate culture and building a clear corporate identity.

THE RIGHT EXPERTISE

Cloetta is characterised by a commitment to continuously renewing the company's aggregate expertise. Competent employees that are given scope to realise their full potential create the conditions to maintain Cloetta's position as an attractive and innovative partner not only for the employees but also for the customers, suppliers and business partners. A learning-driven organisation that works in project form and the use of interdisciplinary teamwork in day-to-day activities are important components of Cloetta's skills development. All skills development is designed to support Cloetta's strategies, to be business-oriented and to promote the individual's interests and needs.

The main focus areas are to develop the right people for the right positions and to always clarify and improve roles, responsibilities and working methods throughout the organisation. Cloetta strives to be an attractive employer in the markets where the company is active, thereby making it possible to retain valuable employees.

All recruitment takes place locally with the support of centrally developed tools. For all positions, the selection is based on an agreed set of competencies against which the candidates' performance is measured among other things using psychological tests.

LEADERS AT CLOETTA

To continue developing, Cloetta must be able to attract, retain and develop the right managers, who aside from professional expertise must also have intellectual capacity, entrepreneurial spirit, an understanding of the Group's operations and a will to achieve results. A good leader must have the ability to prioritise, motivate, communicate and develop others, and must possess courage in their leadership. Based on these criteria, Cloetta fosters new and existing talents.

Cloetta conducts regularly occurring group exercises for the Group's managers that are aimed at enhancing the performance of the group and the individuals, among other things through exposure to each other's conscious and unconscious leadership drivers. They also serve as an important platform for discussion of Cloetta's values.

EMPLOYEE SURVEY

Employee feedback is vital in understanding how Cloetta is perceived as an employer and providing a basis for development. Since 2011,

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Helena Persson is one of Cloetta's sales representatives to the grocery retail trade in Malmö, Sweden, who was given a wider brand portfolio during the year as a result of the merger between Cloetta and LEAF.

"Working with our brands is a pleasure, it's almost magical"

"The retailers have been very positive towards our expanded portfolio, and now there is only one sales meeting instead of two. For us on the sales force, it's an exciting challenge to have responsibility for such a large share of the retailer's confectionery range. We have tools to help the retailer calculate the profitability of increased volumes for different brands. Based on this, we work on how to expose the brands in the stores. It's a matter of both ensuring high visibility for the products and finding smart, new sales points in the store.

Our goal in the store is to present consumers with the right offering at every possible sales point for confectionery, to meet their needs and thereby increase sales and profitability for the store.

Working with all of Cloetta's brands is a pleasure, it's so easy for people to love them. It's almost magical!"

Helena Persson

Cloetta conducts a survey called Great Place to Work every other year.

The Finnish organisation was awarded the status of "Great Place to Work" in the latest measurement.

In the intervening years, the results are followed up and improvement programmes are pursued. In the Netherlands, for example, improvement efforts led to an increase in the confidence index from 61 to 73 in one year.

RESTRUCTURINGS

In 2012 Cloetta was forced to close factories, which meant that a number of employees have left the company. In addition to the support provided by the public sector and from different insurance solutions, Cloetta's focus has been on helping the employees to find new jobs.

REMUNERATION STRUCTURE

In order to recruit and retain the right expertise, it is crucial to build up and maintain a competitive incentive system based on results and development. Cloetta applies a uniform process in assessment of past performance and oversight of the organisation. The system is based on three main areas: Strategic Excellence, Performance Excellence, Leadership & Change Management.

During the year, an external review of Cloetta's remuneration structure was carried out to ensure that the company's remuneration levels are competitive from a European perspective and in line with the applicable pay levels in the countries where Cloetta operates.

RELATIONSHIP BETWEEN THE COMPANY AND THE EMPLOYEES

Cloetta strives to uphold a relationship of mutual respect and trust between the company and its employees. This also steers the company's way of working with the European Works Councils, local company councils and union organisation. Cloetta complies with the applicable laws and regulations in the countries where the Group is active and respects local norms and values. In addition, the Group's principles are consistent with the relevant ILO conventions.

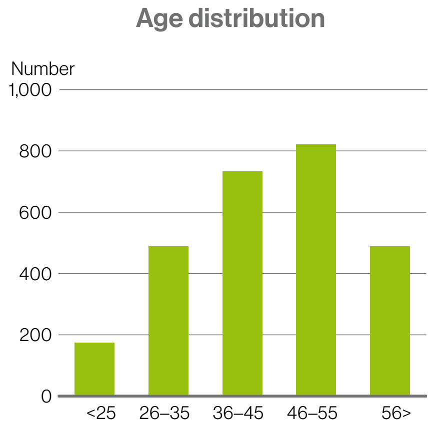
Cloetta encourages a good balance between professional and personal life. It is important to help both men and women combine the demands of their jobs with responsibility for home and family. The Group therefore supports flexible work arrangements like flex-time and part-time hours, when possible.

A GOOD AND SAFE WORKING ENVIRONMENT

Efforts to improve and develop the working environment are a natural aspect of operational development and the goal is to create a good physical working environment and a healthy working climate where each individual can feel secure and pursue personal development. One essential part of a secure working environment is to ensure that no one is subject to discrimination or sexual harassment. Cloetta aims to be a workplace where diversity and the different qualities, knowledge and skills of all employees are respected regardless of gender, religion, ethnic background, age, race, sexual orientation, etc.

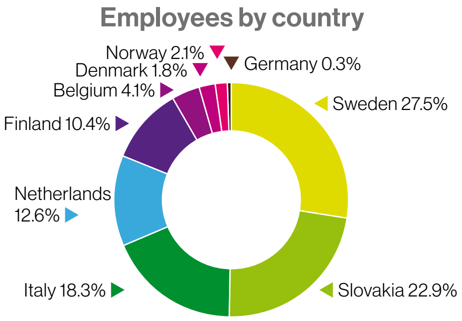
In production, employee safety is always the top priority. All factories carry out continuous risk assessments to minimise the risk for accidents. All incidents and injuries are followed up and reported. The Lean method is used to prevent and reduce production-related occupational injuries. Thanks to these systematic efforts, the number of occupational injuries has been reduced in recent years, read more on the next page.

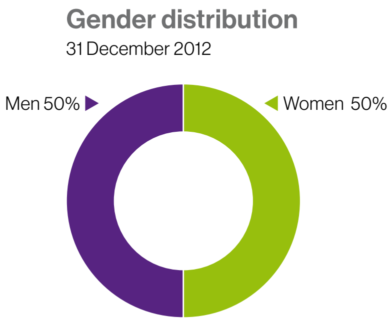
Each manager is responsible for avoiding occupational illnesses and accidents through follow-up and corrective measures. Cloetta's HR department has developed tools for use, together with managers with staff responsibility, for early detection of signals that could be caused by illness and could lead to a risk for long-term absence.

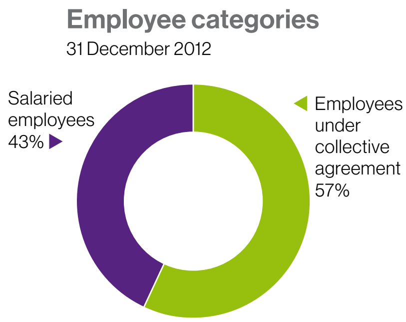


NUMBER OF EMPLOYEES

The average number of employees in 2012 was 2,579 (2,192). The increase is due to the merger between Cloetta and LEAF. Of the total number of employees, 57% are employed under collective agreements and 43% are salaried employees.







Employees	Sweden	Slovakia	Italy	The Netherlands	Finland	Belgium	Norway	Denmark	Germany	UK	Other	Total
Average no. of employees	699	623	467	342	238	106	54	33	7	5	5	2,579
of whom, women	334	442	188	88	174	21	22	14	4	3	5	1,295
Sickness absence, %	3.7	3.6	4.8	4.9	4.0	3.8	3.2	2.4	5.0	–	–	4.0

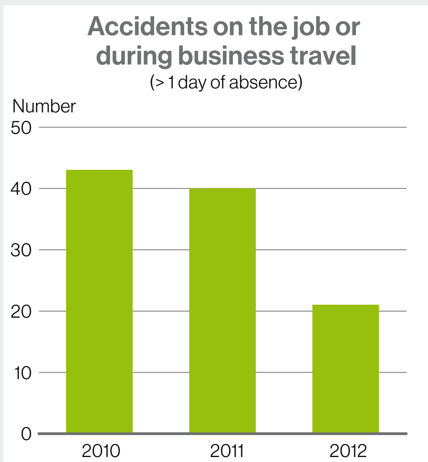
By developing the Group's safety awareness, Cloetta has succeeded in reducing the number of work-related accidents by 53 per cent since 2010. Piet Vandenbroucke, Manufacturing Director in Turnhout and Roosendaal and responsible for "Lean and Safety" in the Group, explains.

"Of course we are proud of this, but at the same time we are humble since every accident can lead to suffering for the individual and we are continuing our determined efforts to reduce the number of accidents that occur. For us, safety means handling risks in a professional manner, focusing on continuous improvements and working according to our safety behaviour program.

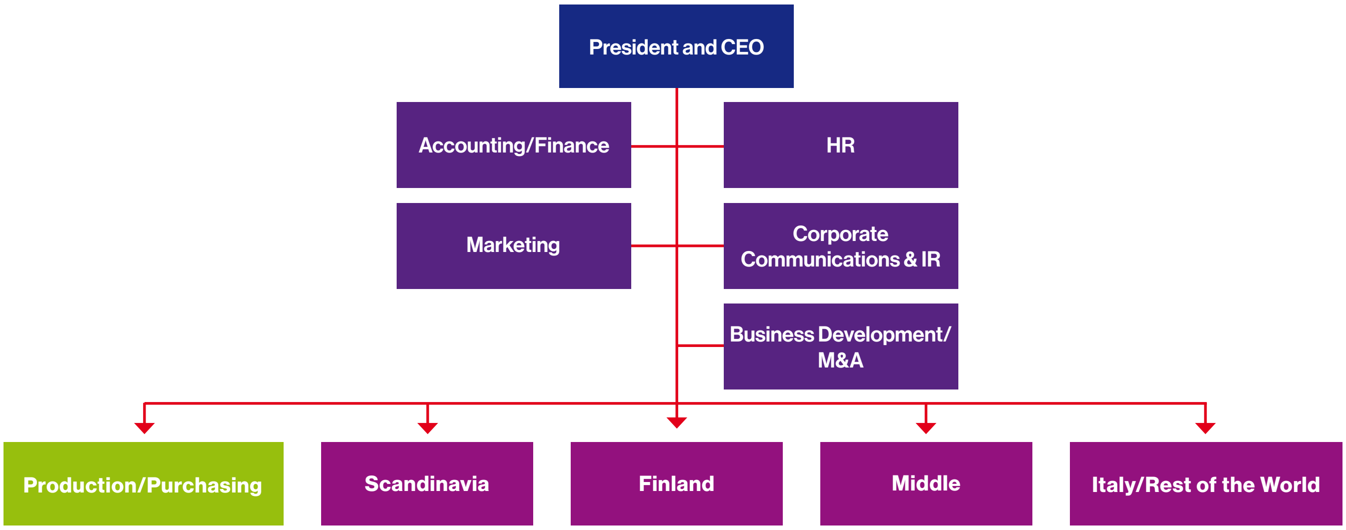
"We believe that all accidents can be avoided, but that it is not possible to eliminate all risks. Any further reduction in the number

"Safety first"

of accidents will depend on our ability to renew the focus and strengthen our safety culture in combination with alert and determined efforts towards continuous improvement", adds Piet.



Organisation

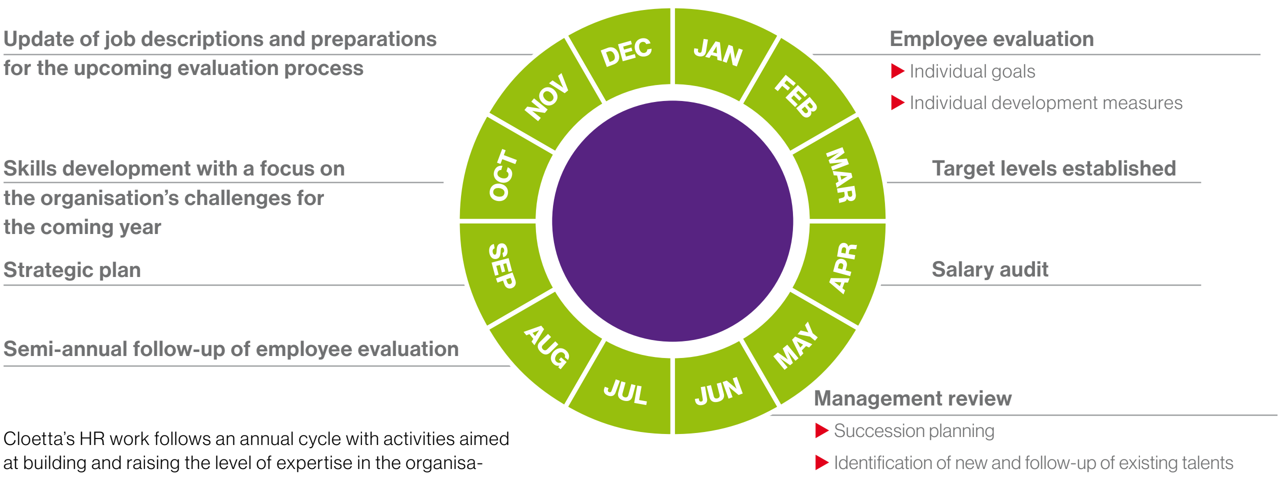


A FLAT ORGANISATION FOR SHORTER DECISION-MAKING PROCESSES

Cloetta has around 2,600 employees in 12 countries who are active in sales and marketing, production, innovation and support functions. Cloetta's head office is located in Stockholm, Sweden. The organisation has been developed from a number of individual companies into a centrally led, locally managed group that is headed by a multinational management team.

Cloetta is organised according to function and its commercial organisation is separate from the production organisation. Personnel, finance and administrative units are found in each main market and serve as support functions for both the local sales and marketing organisation and for production. Responsibility for business development, corporate communications, business control, marketing strategies, HR and certain financial activities like tax, financial administration, insurance and financial control are handled by central staffs.

Cloetta's HR Wheel



Cloetta's HR work follows an annual cycle with activities aimed at building and raising the level of expertise in the organisation. Most of the activities in Cloetta's HR wheel as described above are primarily attributable to salaried employees.

Core values

Cloetta has established four core values that guide our way of working and acting, both within and outside the company. These core values are Focus, Teamplay, Passion and Pride.

Focus

Focus is about doing the fundamentals with self-confidence, ambition and a "will do" attitude.

Focus means continuous, diligent work across the essential parts of our business. We will only be successful by focusing and delivering on prioritised activities. We therefore treasure the ability to be a role model in execution, consistently being practical and fact-based, creating clarity, setting priorities, making consistent choices and always having a sense of urgency, speed, drive and discipline as well as the agility to change and adapt when required. Blended with a "will do" mentality, built on self-confidence, ambition and realism, Focus brings both success and the admiration of the competition.

Teamplay

Teamplay is about mutual responsibility: doing your part and supporting each other.

Team Play is based on both individual and mutual responsibilities and mutual support for one another. It extends beyond Cloetta, reflecting in the way we aspire to cooperate with our external stakeholders, customers and suppliers. We therefore treasure the ability to understand, value and respect people, to address each other in a creative, open and transparent way, to communicate with honesty and without fear and to share knowledge and learn together. Team Play manifests itself in cross-functional cooperation, shared learning and together acting as "One Cloetta".

Passion

Passion is about "going the extra mile", being positive and having fun.

Passion is at the core of our business and characterises all of our actions. It releases the energy and inspiration that provide us with the drive to develop, produce and market great products that, in turn, make our customers and consumers as passionate about them as we are. It feeds the drive to take ownership, to realise goals and to win. We therefore treasure the ability to inspire and motivate, to see change as an opportunity, to go the extra mile, and to be positive and to have fun. Passion manifests itself in the way we understand the business, deal with customers, help each other to succeed and communicate about Cloetta .

Pride

Pride is about being proud of our company, our brands, our products and our personal contribution.

Pride is the driving force that motivates Cloetta's employees to perform to the best of their ability and to take ownership of the company's direction. It is about pride in both your own and your colleagues' contribution to the company, its brands and its products. Pride is fuelled by the employees' confidence and belief in Cloetta as a company and as an employer. This is based on a safe and sustainable working environment and a working relationship based on mutual trust. We nurture a company culture that empowers people with insight into our business goals and vision, so that everyone feels engaged and committed to where we are headed as a company. Open lines of communication encourage employees to take responsibility for their jobs and take pride in what they do.

Responsibility for raw material producers

In its code of conduct, Cloetta has collected all of the general principles that govern the company's commitments in areas such as raw materials. Since Cloetta never purchases raw materials directly from the growers, compliance with Cloetta's rules is dependent on the company's raw material suppliers being in agreement with Cloetta on these issues and that they in turn demand the same of their own suppliers.

SUPPLIERS MUST BE APPROVED

All suppliers to Cloetta are evaluated and approved before they are permitted to deliver materials to the factories. Certain suppliers are physically audited at regular intervals by Cloetta's employees. The aspects covered in an audit are product safety, ethics, quality, environmental performance, what challenges and problems exist and how the supplier addresses them. In connection with this, the suppliers are also assessed for their application of a code of conduct that is consistent with Cloetta's rules.

COCOA

Around 70% of cocoa on the world market and most of Europe's cocoa comes from West Africa, mainly the Ivory Coast. The majority of cocoa farms are very small and there are some 700,000 growers in the Ivory Coast alone. Local intermediaries then distribute the raw materials to international cocoa distributors, after which the cocoa is sent to Europe for processing into cocoa butter, cocoa liquor and cocoa powder. Every year, Cloetta buys approximately 2,700 tonnes of cocoa in the form of cocoa liquor, cocoa butter and cocoa powder from suppliers in Europe.

The West African cocoa farmers face daunting challenges such as poverty, a lack of education and weak economic development. For Cloetta it is important to play an active role in influencing development. For that reason, Cloetta and other major players in the chocolate industry collaborate through industry organisations to provide education about good farming practices and promote better conditions in the cocoa plantations and communities. The goal is to achieve environmentally, socially and economically sustainable cocoa farming.

Cloetta is taking part in the recently started CISCI project, an initiative driven by the United Nations Development Programme (UNDP), where the goal is to work towards more sustainable production of cocoa in the Ivory Coast. The focus areas are improved living conditions for cocoa farmers and their families and higher quality and productivity from the cocoa plantations. There are many members in the project, which is its strength. In addition to the Nordic chocolate producers and each country's industry association, development agencies from the Nordic countries are participating together with representatives from the Ivorian government. Other members of the project include the World Cocoa Foundation and the International Cocoa Initiative, with their expert knowledge about the challenges facing the cocoa industry in the countries of origin.

PALM OIL

From a sustainability perspective, there are a number of concerns surrounding cultivation and production of palm oil and palm kernel oil. Malaysia and Indonesia account for around 80% of total global production. Both countries are struggling with major problems related to destruction of rain forest, which among other things has a negative impact on the indigenous wildlife.

Cloetta has chosen to actively support sustainable production of palm oil/palm kernel oil by purchasing GreenPalm certificates for parts of the product portfolio. For each tonne of palm oil/palm kernel oil that is used in production, Cloetta pays a premium to a palm oil/palm kernel oil producer that works according to the rules for social and environmental responsibility defined by the Roundtable on Sustainable Palm Oil (RSPO). These rules prohibit destruction of rainforest and set out requirements for working conditions, prohibition of child labour, etc.

In 2013 Cloetta will increase the share of GreenPalm certificates to cover the entire company's needs.

FURTHER INITIATIVES

As a result of the merger between Cloetta and LEAF, the new company has a larger raw material portfolio. Initiatives in addition to those described above are currently being evaluated.

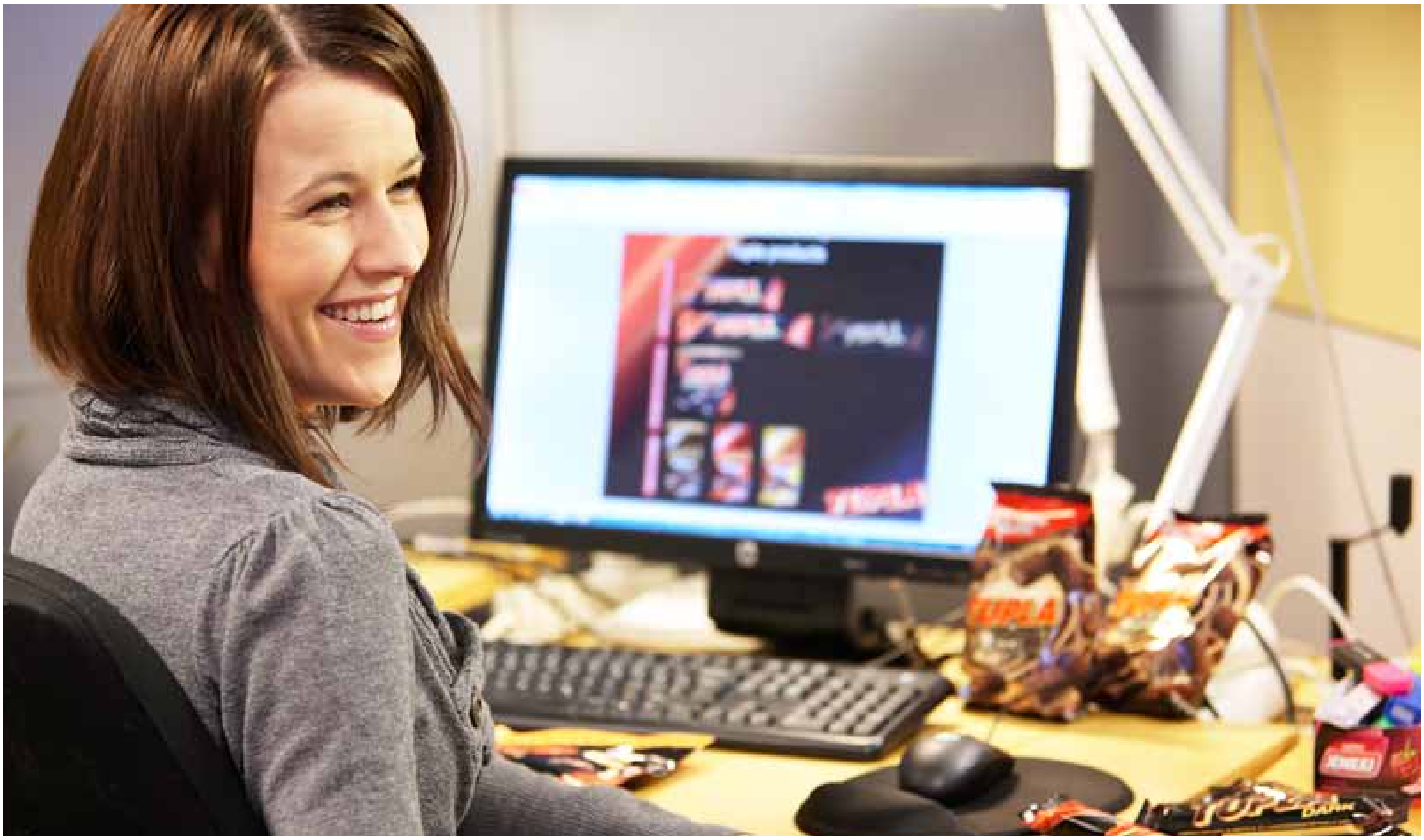
Collaboration in organisations

Cloetta is active in a number of collaborative initiatives aimed at promoting more environmentally sustainable cultivation of raw materials and improving the conditions for growers in developing countries. The following collaborations are the most important.

- The World Cocoa Foundation (WCF) manages a range of programmes aimed at increasing the cocoa farmers' incomes and promoting sustainable cultivation. Examples of initiatives include teacher training programmes, training in cocoa processing, micro loans for cocoa growers and health-related issues.
- Caobisco (Chocolate, Biscuit & Confectionery Industries of the EU) supports International Cocoa Initiatives, for example through the development of control and certification systems for cocoa production.
- The Round Table on Sustainable Palm Oil (RSPO) is committed to promoting the growth and use of sustainable palm oil worldwide.
- The UN's Global Compact, where Cloetta is a member.
- Chokofa is a Swedish industry association that contributes contacts, expertise and projects in which Cloetta takes part, such as a project in which 5,000 cocoa farmers in Ghana and Ivory Coast are being given practical training in ways to increase their profitability while at the same time preventing accidents.
- FNLI (The Dutch Food Industry Federation), VBZ (Association of the Dutch Bakery and Confectionery Industry), the Netherlands.
- AIDI (Italian Confectionary Industry), IBC (Italian Branded Products Industry), ISA (International Sweeteners Association), Italy.
- ETL (Finnish Food Industries' Federation), Finland.
- DI (Danish Chocolate and Confectionery Industries), Denmark.
- Choprabisco, Belgium.
- HSH (The Federation of Norwegian Commercial and Service Enterprises), Norway.

Table of contents, GRI*

* Global Reporting Initiative (GRI) is a network-based organisation whose founders include the UN. GRI has pioneered the development of a framework for the structure and content of sustainability reporting.



Administration report with financial section and corporate governance report

Administration report

The Board of Directors and the President of Cloetta AB (publ) (corporate identification number 556308-8144), hereby submit the annual report and consolidated accounts.

For the Parent Company, the financial year covers the period from 1 September 2011 to 31 December 2012. The consolidated financial statements refer to the financial year from 1 January to 31 December 2012.

INFORMATION ABOUT OPERATIONS

The Cloetta Group, whose parent company is Cloetta AB, was formed in August 2008 following the separation of Cloetta Fazer. Cloetta AB was then listed on NASDAQ OMX Stockholm in February 2009. On 16 February 2012 Cloetta AB acquired Leaf Holland B.V. from Yllop Holding S.A. (name changed from Leaf Holding S.A.). The acquisition was carried out through a cash payment (SEK 100m), a vendor note loan (SEK 1,400m) and an issue in kind of shares in Cloetta (SEK 2,556m). The acquisition has been accounted for as a reverse acquisition from a group accounting perspective, where Leaf Holland B.V. is the accounting acquirer and Cloetta AB is the legal acquirer. Through the merger, the Cloetta Group has become more than five times larger than earlier and has its own subsidiaries in several European countries. The three largest shareholders are AB Malfors Promotor, Godis Holdings S.á.r.l. (CVC Capital) and Cidron Pord S.á.r.l. (Nordic Capital).

Consolidated accounts

These annual accounts include the consolidated financial statements of the new Cloetta Group for the period from 1 January to 31 December 2012. Since Cloetta's acquisition of LEAF is regarded as a reverse acquisition, the consolidated comparable figures are those from the Leaf Holland B.V. Group.

Market

Cloetta is active in the sugar confectionery, chocolate confectionery, pastille and chewing gum markets, of which sugar confectionery accounts for the largest share of sales. Cloetta's main markets are Sweden, Italy, Finland, the Netherlands, Norway and Denmark. In these markets, sales are handled by the Group's own sales organisation. In addition, there are sales in some 40 additional markets, mainly through distributors. Sales are also made to the Travel Retail, i.e. sales to ferry lines, charter tour operators and at airports, primarily inprimarily in the Nordic countries.

Production

At 31 December 2012 the Group had 11 production units in six countries.

Brands

Cloetta's greatest asset is its portfolio of well known brands and the associated product range. Cloetta has an extensive range of brands that have a very high value and a strong position in the confectionery market in the countries where the company is active. Many of the brands were established in the first half of the 1900s and have strong local ties, such as Malaco, Cloetta, Läkerol, Jenkki, Sportlife and Sperlari.

Organisation

Cloetta is organised according to function and its commercial organisation is separate from the production organisation. Personnel, finance and administrative units are found in each main market and serve as support functions for both the local sales and marketing organisation and for production organisation. Responsibility for business development, corporate communications, business control, marketing strategies, HR and certain financial activities like tax, financial administration, insurance and financial control are handled by central staffs.

Vision and strategy

Cloetta's vision is "To be the most admired satisfier of Munchy Moments."

Cloetta's strategies are:

- Focus on margin expansion and volume growth
- Focus on cost-efficiency
- Focus on employee development

DEVELOPMENT IN 2012

The financial year for the Cloetta Group runs from 1 January 2012 – 31 December 2012. The following comments are presented with comparative figures for the period from 1 January 2011 to 31 December 2011.

Net sales

Net sales for the full year rose by SEK 201m to SEK 4,859m (4,658) compared to the previous year. The increase in net sales is attributable to the merger between Cloetta and LEAF. The divestment of the distribution business in Belgium during the first quarter and the termination of an agreement for a third-party brand in Italy as of 1 January 2012 resulted in an expected decrease in sales in these two markets.

Underlying net sales[1] fell by 4.1%. Sales were down in several markets, which was primarily noticeable in Italy and Norway. Sales in Finland, the United Kingdom and outside the main markets increased.

Gross profit

Gross profit amounted to SEK 1,702m (1,747), which is equal to a gross margin of 35.0% (37.5). Gross margin was diluted by the merger between Cloetta and LEAF and by increased raw material costs.

1) Underlying net sales 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, but including the former Cloetta's historical financial values for better comparability.

Operating profit
Operating profit was SEK 125m (360). The decrease was caused primarily by a number of items affecting comparability, but also higher raw material costs, lower sales and some temporary inefficiencies related to factory restructurings also had an impact on operating profit. The cost charge to operating profit relating to research and development amounted to SEK 30m (31).

Underlying EBITA
Underlying EBITA[1] amounted to SEK 439m (548). The decrease is primarily due to higher raw material costs, but to a certain extent also to lower net sales and temporary costs in production.

Items affecting comparability
Operating profit includes total items affecting comparability of SEK –309m (–209). These consist of non-recurring items that are primarily attributable to costs for the merger between Cloetta and LEAF, factory restructurings and a non-cash capital gain on the sale of the distribution operations in Belgium.

Net financial items
Net financial items improved to SEK –265m (–600). The improvement is mainly a result of lower interest expenses on loans from former shareholders in LEAF, since these loans were converted into equity on 15 February 2012. Total interest on loans from former shareholders in LEAF amounted to SEK –61m (–441). The impact of the lower interest expenses has been partly offset by higher amortisation of capitalised costs. Due to the agreement for a new credit facility that was signed on 15 December 2011, but went into effect in the second quarter of 2012, the remaining previously capitalised financing costs have been amortised in full. The financing costs for the new overdraft facility will be amortised over the period covered by the credit agreement. Total costs for amortised financing costs amounted to SEK 52m (15). Both the interest on the shareholder loans and amortisation of the financing costs are non-cash items.

Profit for the period
Profit for the period was SEK –73m (–68), which is equal to basic and diluted earnings per share of SEK –0.26 (–0.26).

Income tax expense for the period was SEK 67m (172).

Seasonal variations
Cloetta's sales and operating profit are partly subject to 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 Christmas. Historically, the second half of the year and the fourth quarter in particular have therefore been significantly stronger than the preceding quarters in terms of earnings.

Financing and liquidity
Cash and cash equivalents and short-term investments on the balance sheet date amounted to SEK 306m (97). 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 and lowest at year-end.

Cash flow from operating activities was SEK 330m (492). The year-on-year decrease is mainly explained by a lower operating profit, which has been partly offset by an increase in working capital compared to the previous year. Net cash of SEK 240m (193) was utilised for investments in property, plant and equipment. Other cash flow from investing activities is primarily attributable to the acquisition of LEAF. Interest-bearing liabilities exceeded interest-bearing assets by SEK 3,056m (2,827). The equity/assets ratio on the balance sheet date was 35.6% (–4.5).

Investments
Investments in property plant and equipment during the period totalled SEK 240m (193) and consisted mainly of investments resulting from the decision to close factories and relocate production to other factories in the Group. In addition, both efficiency-enhancing investments and replacement investments are made continuously in the existing production lines. Depreciation amounted to SEK 152m (107).

EMPLOYEES
The average number of employees was 2,579 (2,192). The company has employees in 12 countries. For more information about the number of employees by country, see Note 5 on page 95.

General principles
Cloetta's code of conduct guides the way in which the company is managed from a social, environmental and financial perspective. It is based on Cloetta's core values: Focus, Teamplay, Passion and Pride. The code of conduct covers the entire value chain, from raw material to consumer, and applies to all activities in all markets and countries where Cloetta is represented. The principles in the code of conduct are consistent with:

- The UN's Declaration of Human Rights
- ILO conventions
- OECD guidelines for multinational enterprises
- ICC framework for responsible marketing of food and beverages
- The European Brand Association

For Cloetta, it is important to have clearly defined guidelines for mutual respect and a shared set of core values. Cloetta recognises and supports the ten principles in the UN's Global Compact and works to promote these in the communities and environments where the company conducts business. Special emphasis is placed on:

- Equality and non-discrimination
- Freedom of association and collective bargaining
- Occupational health and safety
- Working hours

Relation to the employees
The relation to Cloetta's employees is founded on mutual respect and trust. Cloetta's terms of employment comply with collective agreements, national laws and the relevant ILO conventions (International Labour Organization).

Guidelines for remuneration to senior executives
The current guidelines for remuneration to the Group Management team were adopted at the EGM of Cloetta on 15 February 2012 in connection with Cloetta's merger with LEAF and are described in Note 6, on page 97.

Remuneration to the President and the other members of the Group Management Team and other executives reporting directly to the President shall consist of fixed salary, variable salary, other benefits and pension. To the extent considered appropriate by the Board of Directors, the executives in question shall be offered the opportunity to participate in long-term share-related incentive schemes, which shall be decided by the general meeting. Any variable salary should be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration shall be market-based and competitive, and be proportionate to the individual's responsibilities and powers. Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The company shall strive to have defined contribution pension plans. The retirement

1) Net sales are based on constant exchange rates and the current group structure (excluding the distribution business in Belgium and a third-party distribution agreement in Italy) and excluding items affecting comparability. The comparison period includes Cloetta's historical financial values for better comparability.

age shall be not less than 60 years and not more than 67 years.

These guidelines apply to agreements entered into after the EGM on 15 February 2012 and to any changes made to existing agreements thereafter. The Board of Directors may deviate from these guidelines only in individual cases where there is special reason to do so.

The Board of Directors has proposed guidelines for 2013 that are identical to the current guidelines except for the proposal of a share-based long-term incentive plan to align the interest of the shareholders with those of the Group Management Team and other key employees in order to ensure maximum long-term value creation.

The 2013 Long-Term Incentive Plan (LTIP) guidelines for remuneration as proposed by the Board of directors are applicable to the Group Management team and other key employees. To participate in LTIP 2013, a personal shareholding in Cloetta is required. Following a defined vesting period, the participants can 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 receive class B shares in Cloetta, continued employment with the company three years after the date of grant and continuously maintenance of a personal shareholding are required. Allocation of class B shares on the basis of performance share rights is conditional on the attainment of performance targets. The performance targets are related to Cloetta's EBITA and net sales value. The proposal will be presented to the AGM on 11 April 2013 for approval.

RESEARCH AND DEVELOPMENT

R&D is primarily focused on the creation of new packaging designs and brand varieties within the framework of the existing product range. Profit for 2012 was charged with R&D expenses of SEK 30m (31).

THE GROUP'S LONG-TERM TARGETS

Organic sales growth

The long-term target is to grow organic sales at least in line with the market.

Historically, total annual growth in the markets where Cloetta is active has been around 2% during the period 2000–2011. 2012 was the first year when certain individual markets and segments decreased or were essentially unchanged. This contributed to negative underlying sales growth during the year.

EBITA margin

The goal is an underlying EBITA margin of at least 14%.

The goal is to meet this target after the full cost and efficiency synergies from the merger and the production restructuring have been realised. The underlying EBITA margin in 2012 was 8.7%.

Net debt

The long-term goal for net debt is a net debt/EBITDA ratio of around 2.5. Initially, net debt will be higher, but through earnings growth and strong cash flows, this goal is expected to be achieved within 2-3 years from the merger with LEAF.

Cloetta's net debt/EBITDA ratio at 31 December 2012 was 4.9.

The Group's long-term targets

SEKm	31 Dec 2012	31 Dec 2011
Equity	3,326	–385
Profit for the year	–73	–68
Organic sales growth	neg.	n/a
EBITA margin	8.7%	n/a
Net debt/EBITDA	4.9	n/a

THE SHARE

The Group did not hold or transfer any treasury shares during the financial year.

The number of shares authorised, issued and fully paid at 31 December 2012 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares. Each A share grants the right to ten votes and each B share to one vote in the shareholders meetings.

Three shareholders have more than 10% each in the voting rights of the company. AB Malfors Promotor holds 40.2%, Godis Holdings S.á.r.l. 21.9% and Cidron Pord S.á.r.l. 16.3%.

Furthermore, a shareholder agreement exists between Malfors Promotor and Fazer et al. which prohibits Fazer et al. from purchasing shares in Cloetta AB (Publ) as long as Malfors Promotor holds more than 30% of the voting rights.

The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.

An EGM on 15 February 2012 authorised the Board to carry out a new issue of class A and B shares with preferential rights for existing holders of class A and B shares.

In February 2012, one of Cloetta's principal shareholders, Godis Holdings S.á.r.l., reduced its holding by 34,000,000 shares. The main buyers were AMF Försäkring och fonder and Lannebo Fonder. The current holdings for the ten largest shareholders can be found at www.cloetta.com.

ENVIRONMENTAL RESPONSIBILITY

Cloetta works to reduce its environmental impact through systematic environmental management. Cloetta's greatest environmental impact comes from water and energy consumption, wastewater emissions, waste and transports. Viewed over the entire life cycle of the products, the most significant environmental impact arises in raw material and packaging production. Cloetta complies with the statutory environmental requirements and the Group is not party to any environmental disputes. At year-end 2012, Cloetta conducted operations at 11 factories in six countries. The two Swedish factories in Ljungsbro and Gävle are subject to reporting requirements according to the Swedish Environmental Code. These permits apply until further notice. There are no injunctions in respect of the Swedish Environmental Code.

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Environmental initiatives are an integral part of Cloetta's operations and environmental aspects are taken into account when making decisions. Frequent evaluation and follow-up of measures increase awareness about the effects of different working methods on the environment.

Cloetta is active in a number of collaborative initiatives aimed at promoting more environmentally sustainable cultivation of raw materials and improving the conditions for growers in developing countries. Cloetta is also a member of World Cocoa Foundation, which promotes sustainable cocoa growing, and the RSPO (Roundtable on Sustainable

Palm Oil) which is committed to promoting the growth and use of sustainable palm oil.

Manufacturing units outside Sweden adapt their operations, apply for the necessary permits and report to the authorities as required by local legislation.

A more detailed presentation of the Group's environmental policy and environmental work is provided in the corporate responsibility report on pages 42–44.

PARENT COMPANY

Cloetta AB's activities consist primarily of head office functions such as group-wide management and administration.

The Annual General Meeting on 19 December 2011 approved an amendment to the Articles of Association regarding the company's financial year. The Articles of Association were changed so that the company's financial year runs from 1 January to 31 December, i.e. the calendar year, instead of from 1 September to 31 August. This meant that the financial year for the Parent Company was extended to cover the period from 1 September 2011 to 31 December 2012.

The comparative figures for the Parent Company cover the period from 1 September 2010 to 31 August 2011. As a result, the amounts presented in the Parent Company financial statements are not entirely comparable.

Net sales in the Parent Company for the full year reached SEK 72m (26) and referred mainly to intra-group services. Operating profit was SEK –40m (6).

Net financial items totalled SEK 38m (–1). Profit before tax was SEK –2m (5) and profit after tax was SEK 0m (2). Cash and cash equivalents and short-term investments amounted to SEK 12m (53).

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

Dividend

The long-term intention is to distribute 40–60% of profit after tax. In the coming years, the main focus will be on reinvesting the company's cash flows in order to further strengthen competitiveness through rationalisations, product development, marketing initiatives and amortisation of bank loans. As a result of this, no dividend is expected within 2–3 years following the merger with LEAF. The Board of Directors proposes that no dividends be paid and that the full earnings be carried forward to new account.

THE BOARD OF DIRECTORS' REPORT ON THE REMUNERATION COMMITTEE'S EVALUATION OF REMUNERATION TO SENIOR EXECUTIVES

The Board of Directors has previously established a remuneration committee which prepares the decisions of the Board of Directors on issues concerning principles for remuneration, remuneration levels and other terms of employment for the executive management. Guidelines for remuneration to the executive management are presented to the Board of Directors, which submits a proposal on such guidelines to the Annual General Meeting for approval. Current guidelines for remuneration to the Group Management Team are described in note 6, page 97. The Board of Directors has proposed guidelines for 2013 that are identical to the current ones, with the exception of the proposal for a long-term, share-related incentive scheme to align the interests of the shareholders with those of the group management and other key employees, and thereby ensure maximum long-term value creation.

The remuneration committee is also entrusted with the task of monitoring and evaluating programmes for variable remuneration for the executive management, application of the guidelines for remuneration adopted by the Annual General Meeting and the current remuneration structures and levels in the company. Pursuant to section 9.1 §2 and §3 of the Swedish Code of Corporate Governance, the Board of Directors hereby presents the following report on the results of the remuneration committee's evaluation.

The current guidelines for remuneration to senior executives were adopted at the extraordinary general meeting of Cloetta on 15 February 2012 in connection with Cloetta's merger with LEAF. The remuneration committee is of the opinion that Cloetta is complying with these guidelines, and that the guidelines are serving their purpose of promoting the long-term creation of value in the company. The variable remuneration is linked to the individual's responsibility for results, as well as the Group's profitability targets, which contributes to an increase in value for the company's shareholders. In addition, the remuneration committee has proposed to the Board of Directors that the company introduce a share-based long-term incentive plan to align the interests of the shareholders on the one hand and group management and other key employees on the other hand in order to ensure maximum long-term value creation.

Market surveys are carried out regularly with respect to applicable salary statistics, remuneration structures and levels for variable remuneration. The remuneration committee considers Cloetta's remuneration structures and remuneration levels to be on market 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.

FUTURE OUTLOOK

In 2012 Cloetta underwent extensive changes, partly owing to the merger with LEAF and partly as a result of the decision to close three factories. Through the merger between Cloetta and LEAF, the "new" Cloetta became a considerably larger, more international company with up to 70% of its sales and production outside Sweden. A rights issue was also carried out during the year as part of the financing of the acquisition.

Much of the emphasis in 2012 was on realising synergies from the merger between Cloetta and LEAF, and this focus will continue in 2013. The total synergies of SEK 65m at the EBITDA level are expected to reach full effect two years after the merger. Another priority for the next few years will be to realise the savings created by the closure of three of the Group's factories. This is a complex and large-scale process in which up to 40% of the Group's total production will be moved between different factories over a period of two years. The factory closures will generate total savings of approximately SEK 100m at the EBITDA level, with full effect at the end of 2014.

The Group's target is an underlying EBITA margin of at least 14%. For growth, the long-term target is to increase sales organically at a rate at least equal to market growth. Another long-term target is a net debt to EBITDA ratio of around 2.5. At 31 December 2012, the net debt/EBITDA ratio of 4.9 was higher. Through earnings growth and strong cash flows, this target is expected to be reached within 2–3 years after the merger with LEAF. With regard to dividends, the long-term intention is to distribute 40–60% of profit after tax. In the coming years the main focus will be on reinvesting the company's strong cash flows in order to further strengthen competitiveness through rationalisations, product development, marketing initiatives and amortisation of bank loans. As a result of this, no dividend is expected to be paid within 2–3 years following the merger with LEAF.

Risks and risk management

Uncertainty about future events is a natural part of all business activities. Future events can have a positive impact on operations through opportunities to create increased value, or a negative impact through risks that have an adverse effect on Cloetta's business and results.

Risks can arise as a result of events or decisions that are beyond Cloetta's control, but they can also be an effect of incorrect handling within Cloetta or among its suppliers.

ORGANISATION FOR RISK MANAGEMENT

Cloetta's Board of Directors is responsible to the shareholders for handling the company's risk management. Decisions regarding risks associated with business development and long-term strategic planning are prepared and discussed by the Group Management Team and decisions are made by the Group's Board of Directors.

The Group Management Team continuously reports to the Board on risk issues such as the Group's financial status and compliance with the Group's finance policy. The operational risk management that is handled at all levels in the organisation is regulated by Cloetta's code of conduct and a number of central policies.

IDENTIFICATION OF RISKS

The identification of risks and proactive measures to limit them or prevent them from materialising and having a negative impact on operations are of fundamental importance for operations and an important part of every manager's responsibility at Cloetta. Cloetta works continuously to assess and evaluate the risks to which the Group is, and can be, exposed. All events that could affect confidence in Cloetta or lead to operating disturbances are vital to monitor and minimise. This takes place among other things through business intelligence and dialogue with various stakeholders.

RISK MANAGEMENT

Effective handling of risks is an integral part of Cloetta's management and control. Rapid distribution of relevant information is ensured via the company's management structures and processes. If possible, risks are eliminated and undesired events are minimised through proactive measures. Alternatively, risks can be transferred for example through insurance or agreements. However, certain risks are not possible to eliminate or transfer. These are often an active part of business operations.

RISK OVERVIEW

In Cloetta's risk management process, a number of risk areas have been identified. A selection of these and a brief description of how each risk area is handled are presented on the following pages. The Group's financial risk management is also described in more detail in Note 29, on pages 111–114. Pages 70–73 contain a description of the internal control processes and risk assessment aimed at preventing misstatements in the financial reporting.

Management of risks in the working environment is described on pages 46–47.

Industry and market-related risks

Cloetta works continuously to assess and evaluate the risks to which the Group is, and can be, exposed.
Critical external risks are handled both strategically through business and product development and operationally through day-to-day purchasing, sales and marketing activities.

	Risks	Probability	Management	Impact
Market climate	The euro crisis had a negative impact on consumption patterns. Operations are affected in that Cloetta's customers suffer from lower profitability, which leads to price pressure.		From a historical perspective, the confectionery market has been comparatively mildly affected by market downturns among consumers. This applies to a large extent to Cloetta's products, which most people can afford to buy. To support the customers' business and promote sound price development, Cloetta cooperates with the customers among other things through in-store sales activities.	
Competition	The confectionery market is highly competitive and home to several major players. Furthermore, grocery retailers offer private labels that compete with certain of Cloetta's products. This competition can limit Cloetta's opportunities for price increases to compensate for higher raw material costs. Cloetta may also need to increase its investments in marketing and product development to maintain or expand its market shares.		Cloetta competes in the market through active pricing, product innovation, product quality, brand recognition and loyalty, marketing and the ability to predict and satisfy customer preferences. It is important that Cloetta's products are perceived as providing the consumers with greater value added than the cheaper alternatives. Cloetta strives for effective marketing.	
Retail trade development	The European grocery and service trade has undergone a process of consolidation leading to the establishment of large, sophisticated players with substantial purchasing power. These major players are not necessarily dependent on individual brands and can hold back price increases and demand higher investment in marketing initiatives. They can also take over shelf space that is currently used for Cloetta's products for their own brands.		Cloetta's strong brands and market position, together with a strong sales force and close cooperation with the trade, contribute to its ability to maintain good relations with the retail trade. Cloetta also works actively with new sales channels. Cloetta has a relatively wide and diversified customer base. In 2012, Cloetta's ten largest customers accounted for around 38% of the Group's total sales.	
Consumer trends Health Social responsibility	Changes in consumer behaviour give rise to both opportunities and risks. Health trends and the debate on health, weight and sugar can have a negative impact on confectionery consumption. The health trend has also spurred a growing interest in natural raw materials. In the wake of rapid globalisation, individual consumers are more aware of how their consumption patterns affect the environment and social/ethical conditions around the world. Consumers want to know more about product origins, manufacturing methods and raw materials. Information that Cloetta, or Cloetta's suppliers, are not taking adequate environmental or social responsibility could damage Cloetta's brand.		Health trends have not affected confectionery sales to any great extent, since confectionery is often eaten as a small luxury in everyday life. Cloetta works continuously to satisfy consumer preferences. In addition, Cloetta has an extensive offering of sugar-free products and products that promote dental health. In the long term, Cloetta's goal is for all products to be free from artificial colours and additives (NAFNAC). Cloetta strives to include supplier codes of conduct in all agreements as far as possible, but as an individual company is unable to influence international development on its own. Cloetta's goal is to be open and, through cooperation with other confectionery producers via various organisations, to identify problem areas and contribute to improvements.	
Laws and taxes	Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to limitations in operations or place new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different countries is not entirely correct or that such rules will be changed, possibly with retroactive effect.		Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectionery taxes and fat taxes often has a short-term impact on sales. However, in the case of Finland, sales eventually returned to about the same levels as before the confectionery tax was levied. Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and the information that is available.	
Raw material prices	Price development for raw materials is steered mainly by supply and demand, and is beyond Cloetta's control. The prices of sugar and many of the other raw materials purchased by Cloetta are also affected by agro-political decisions in the EU regarding quotas, support, subsidies and trade barriers, but also by rising living standards and the activity of financial investors on the commodities exchanges.		Cloetta continuously monitors the development of raw material prices and all purchasing is carried out through a central purchasing function. To ensure access and price levels, Cloetta normally enters into supplier contracts that cover the need for raw materials for a period of 6–9 months forward. Cloetta's policy is to compensate for higher raw material costs by raising prices to its customers.	

Operational risks

Operational risks can often be influenced, for which reason they are normally regulated by policies, guidelines and instructions. Operational risks are part of Cloetta's day-to-day work and are handled by the operating units. The operational risks include risks related to the brand, relocation of production, insurable risks and environmental, health and safety-related risks.

	Risks	Probability	Management	Impact
Business ethics and brand risks	Demand for Cloetta's well known brands is driven by the consumers' association of these with positive values. If Cloetta or any of the Group's partners takes any measures in conflict with the values represented by the brand, the Cloetta brand could be damaged.		Cloetta takes a proactive approach to its sustainability responsibility by implementing a code of conduct, ethical guidelines and routines.	
Sustainability risks in the supply chain	Cloetta uses several raw materials originating from countries with high risk regarding the working environment, social conditions and corruption. In addition, political instability can have a negative impact on costs.		As far as possible, Cloetta strives to include supplier codes of conduct in all agreements. Cloetta purchases certified sustainable palm oil (CSPO). Green Palm certificates for part of the product portfolio. In 2013 Cloetta will increase the share to cover the entire company's need.	
Product safety risks	Handling of food products places high demands on traceability, hygiene and safety. In a worst case scenario, inadequate control can lead to contamination or allergic reactions. Deficiencies in handling of food products can lead to lower confidence in Cloetta and the Group's brands.		Cloetta works with first-class raw materials and in accordance with international quality standards. Analyses through chemical and physical tests are performed on both raw materials and finished products. Issues of importance for product safety are gathered in special policies and there are plans for information or product recalls in the event of deficiencies.	
Insurable risks	Assets such as factories and production equipment can be seriously damaged, for example in the event of a fire or power outage. Product recalls can give rise to substantial costs, both resulting from direct costs and in the form of damage to Cloetta's reputation.		Cloetta has insurance programmes for property and liability risks, and works systematically to limit the risk for incidents.	
Relocation of production lines	To optimise efficiency, Cloetta continuously monitors capacity utilisation in production. During the period from 2012 to 2014, up to 40% of the Group's production will be relocated due to the closure of factories. Moving production from one factory to another is a complex process that can result in disruptions and delays in production, which can in turn lead to delivery problems.		Cloetta has an experienced and efficient organisation with well established routines for handling relocation of production lines. To avoid the risk for delivery problems, inventories are built up in preparation for each relocation.	
Access to the right expertise	To a large extent, Cloetta's future is dependent on its capacity to recruit, retain and develop competent senior executives and other key staff.		Cloetta will continue to be an attractive employer. Employee development and follow-up plans, together with market-based and competitive compensation, contribute to Cloetta's ability to recruit and retain employees.	
Environmental risks	Environmental risks arise mainly through water and energy consumption, wastewater emissions, raw material and packaging waste, production waste and transports.		Cloetta sets environmental requirements for its production and regularly monitors the company's impact on the environment.	

Financial risks

The primary financial risks are foreign exchange, financing, interest rate and credit risks. Financial risks are managed by the Group's finance function according to the guidelines established by Cloetta's Board of Directors. The objective is to identify the Group's risk exposure and, with a certain degree of foresight, to attain predictability in the financial outcome and minimise possible unfavourable effects on the Group's financial results in close cooperation with the Group's operating units. By consolidating and controlling these risks centrally, it is possible to minimise the level of risk while at the same time reducing the cost of measures like currency hedging. Financial risk management is described in detail in Note 29, on pages 111–114.

	Risks	Probability	Management	Impact
Foreign exchange risks	Exchange rate fluctuations affect Cloetta's financial results partly in connection with buying and selling in different currencies (transaction exposure), and partly through translation of the profit and loss accounts and balance sheets of foreign subsidiaries to Swedish kronor (translation exposure). Cloetta's presentation currency is Swedish krona, while a majority of the subsidiaries use the euro as their functional currency, for which reason translation exposure is significant.		The objective for Cloetta's foreign exchange management is to minimise the effects of exchange rate fluctuations by utilising incoming currency for payments in the same currency. To reduce the risks associated with transaction exposure, anticipated flows are hedged through forward contracts. The Group hedges parts of its translation exposure through borrowing in euros.	
Refinancing and liquidity risks	Refinancing risk refers to the risk that the Group will be unable to obtain financing, or that it can be obtained only at a significantly higher cost. Following the acquisition of the shares in LEAF, Cloetta has a relatively high level of debt. As a result of this high leverage, Cloetta uses a large share of its cash flow for payment of liabilities, which means that Cloetta's financial flexibility is limited.		Cash flow forecasts are performed by the operating units in the Group and are aggregated by the Group's central finance function, which continuously monitors rolling forecasts to ensure that there is always adequate liquidity to meet the needs of operating activities. In addition, the finance function monitors the Group's attainment of central key performance indicators or compliance with binding financial covenants that are attached to the Group's credit facilities. Surplus liquidity in the operating units is transferred to the Group's internal bank operations.	
Interest rate risks	Cloetta is exposed to interest rate risks in interest-bearing current and non-current liabilities (including five-year credit facilities of approximately SEK 4.2 billion with Svenska Handelsbanken AB (publ)). The relatively high level of debt results in exposure to interest rate risk, since the loans carry variable interest rates.		The Group continuously analyses its exposure to interest rate risk and performs regular simulations of interest rate movements. Interest rate risk is reduced by hedging a share of future interest payments through interest rate swaps. The interest rate risk on the loans from Credit Institutions for the period 2013 up till and including 2015 is hedged for an average of 75%. If the interest rate had been 1% point higher/lower in 2012 with all other variables held constant, profit before tax for the year would have been SEK 30m lower/higher.	
Credit risks	Credit risk refers to the risk that a counterparty to Cloetta will be unable to meet its obligations and thereby cause a loss to the other party. Financial transactions also give rise to credit risks in relation to financial and commercial counterparties.		Credit risk in trade receivables is relatively limited in that the Group's customer base is diverse and consists mainly of large customers, and that distribution takes place primarily through the major grocery retail chains. The customers are subject to credit assessments in accordance with the credit policy and the receivables balance is monitored continuously. The Group's counterparties in financial transactions are banks and credit institutions with good credit ratings (between AA– and A-2).	
Valuation risks	The Group has a number of assets and liabilities that have been valued with the help of various experts. These include goodwill and brands/trademarks on the asset side and the pension liability and tax liabilities on the liability side.		Assets and liabilities are tested for impairment yearly or when there is an indication that such testing may be necessary. Read more in Note 33, Critical accounting estimates and judgements, on page 115.	

Corporate governance report

Chairman's comments

2012 was a tremendously eventful period for Cloetta. As I look back on some of the major changes, I must say that I am proud of how much we accomplished during the year. A few of the highlights include the merger between Cloetta and LEAF, but also an extraordinary general meeting, a new Board of Directors, a new President and management, a rights issue to finance the acquisition, an issue in kind, a refinancing, a new commercial organisation in Sweden, a decision to rationalise production, divestment of the distribution business in Belgium and the adoption of new policies and working methods. And all of this took place at the same time that we experienced a combination of unusually weak market development in our industry and record high raw material prices.

Consequently, much of the Board's work during the year has focused on supporting our management team in the execution of these changes, but also following up and ensuring that all of the decided changes were carried out in an efficient and correct manner.

AIMS OF CORPORATE GOVERNANCE

Corporate governance is about ensuring that the company is managed as effectively as possible in the interests of the shareholders, but also that Cloetta complies with the rules required by legislators and the stock exchange, among other things in the form of corporate governance. I see this as the Board's foremost responsibility to all shareholders. Corporate governance is also aimed at creating order and systems for both the Board and the management. In addition, by having well defined structures, rules and processes we can ensure that the management and employees are focused on developing business and thereby creating shareholder value.

Stockholm, March 2013

Lennart Bylock
Board Chairman

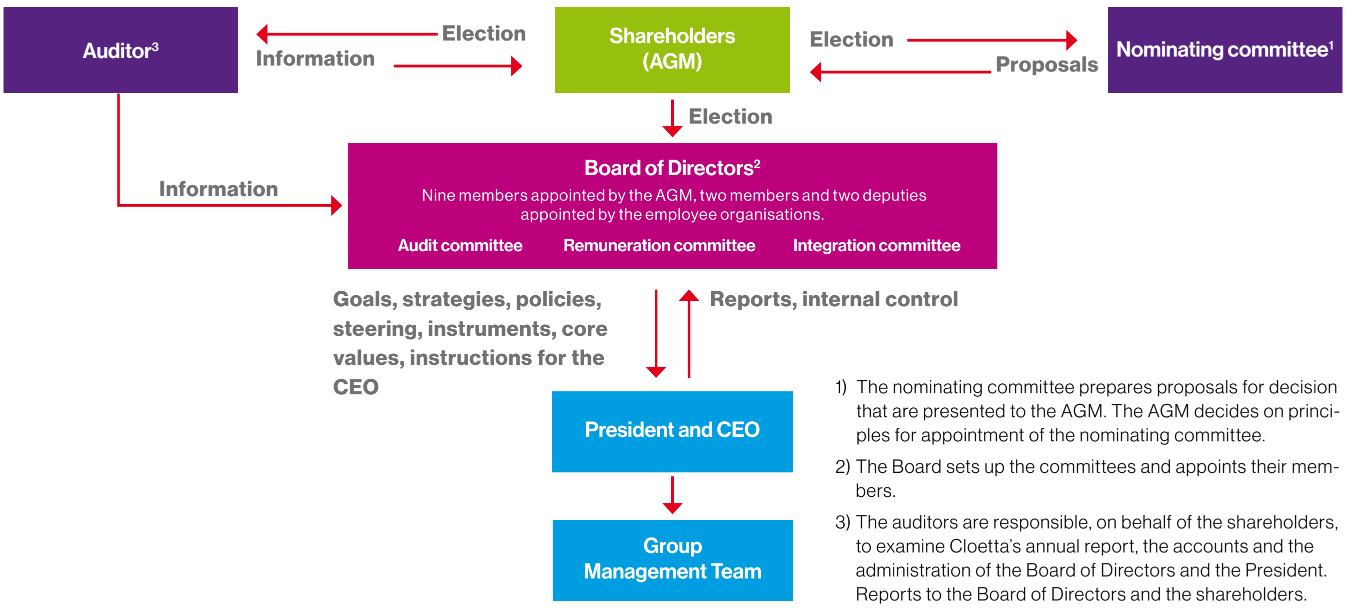
The aims of good corporate governance are to create the conditions for active shareholder participation, to uphold a transparent and sound balance of power between the company's governing bodies and to ensure the provision of correct information to the market.

Cloetta AB (publ) is a Swedish public limited company, with corporate identification number 556308-8144, whose class B shares are traded on NASDAQ OMX Stockholm. The company is domiciled in Ljungsbro, Linköping and its head office is in Stockholm.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Since 1 July 2008, all companies whose shares are traded on NASDAQ OMX Stockholm are required to apply the Swedish Code of Corporate Governance, regardless of their market capitalisation. Cloetta is thus subject to compliance with the Swedish Code of Corporate Governance, which is based on the "comply or explain" principle. This means that a company can deviate from the Code's provisions without this entailing a breach of the Code. However, a company that deviates from a rule in the Code must explain the reason for doing so. Cloetta currently complies with the Code without any deviations. Complete information about Cloetta's application of the Swedish Code of Corporate Governance can be found at www.cloetta.com. The corporate governance report is part of the company's administration report and is reviewed by the company's auditor. The results of the review are presented in the audit report on page 130.

Governance structure



1) The nominating committee prepares proposals for decision that are presented to the AGM. The AGM decides on principles for appointment of the nominating committee.
2) The Board sets up the committees and appoints their members.
3) The auditors are responsible, on behalf of the shareholders, to examine Cloetta's annual report, the accounts and the administration of the Board of Directors and the President. Reports to the Board of Directors and the shareholders.

INFORMATION ABOUT THE CHANGE OF FINANCIAL YEAR AND THE MERGER WITH LEAF

The latest Annual General Meeting (AGM) on 19 December 2011 approved an amendment to the Articles of Association regarding the Parent Company's financial year. The Articles of Association were changed so that the company's financial year runs from 1 January to 31 December, i.e. the calendar year, instead of from 1 September to 31 August. This meant that the financial year was extended to cover the period from 1 September 2011 to 31 December 2012.

The extraordinary general meeting (EGM) on 15 February 2012 approved the Board's proposal to acquire LEAF and appointed a new Board of Directors and Board Chairman. On 16 February 2012, Cloetta acquired 100% of the shares and 100% of the votes in Leaf Holland B.V., the Parent Company of the Leaf group, domiciled in the Netherlands, from Yllop Holding S.A. (name changed from Leaf Holding S.A.). From an accounting perspective, however, the transaction is regarded as a reverse acquisition due to the difference in size between the two companies.

Despite this, central corporate governance functions such as the AGM, Articles of Association and criteria for the Board's composition have been essentially retained in the same form as before the merger between Cloetta and LEAF. The listing on NASDAQ OMX Stockholm, publication of quarterly reports and provision of other key information are also unchanged.

Because Cloetta in its current form was created through the merger with LEAF, this corporate governance report mainly describes Cloetta during the period from 16 February to 31 December 2012. However, a brief description of the Board of Directors, Board committees, Group Management Team and remuneration prior to the merger, i.e. during the period from the AGM on 19 December 2011 to the EGM on 15 February 2012, is provided at the end of this corporate governance report.

Composition of the Board

						Attendance[3]			
Elected by the general meeting[1]	Year elected	Born in	Total fees, SEK[2]	Independent from shareholders	Independent from company and management	Board meetings	Audit committee	Remuneration committee	Integration committee
Chairman									
Lennart Bylock	2012	1940	650,000	Yes	Yes	14/14		5/5	4/4
Members									
Hans Eckerström	2012	1972	500,000	No	Yes	13/14	8/8	4/5	4/4
Håkan Kirstein	2012	1969	250,000	Yes	Yes	14/14			
Adriaan Nühn	2012	1953	250,000	Yes	Yes	13/14			
Robert-Jan van Ogtrop	2012	1956	300,000	No	Yes	11/14		5/5	
Mikael Svenfelt	2008	1966	400,000	No	Yes	14/14		5/5	4/4
Olof Svenfelt	2008	1941	350,000	No	Yes	14/14	8/8		
Meg Tivéus	2008	1943	350,000	Yes	Yes	14/14	7/8		
Peter Törnquist	2012	1953	450,000	No	Yes	14/14	7/8		3/4

1) Information about education, other assignments and shareholdings in the company is provided on pages 74–75.
2) The EGM on 15 February 2012 resolved that Board fees would be paid in an amount of SEK 500,000 to the Chairman and SEK 250,000 to each of the other Board members elected by the general meeting. Fees of SEK 100,000 each would be paid to the members of the audit committee, SEK 50,000 each to the members of the remuneration committee and SEK 100,000 each to the members of the integration committee. For further details, see Note 6. The reported fees in the table above refer to the period from the EGM on 15 February 2012 to the upcoming AGM on 11 April 2013.
3) Attendance for the period from the merger between Cloetta and LEAF on 16 February 2012 to 31 December 2012.

EXTERNAL GOVERNANCE SYSTEMS

Cloetta AB (publ) operates under both external governance steering systems and the company's own internal steering systems.

The external governance systems, which provide the framework for Cloetta's corporate governance, include the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, NASDAQ OMX Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance. Governance, management and control are divided between the shareholders at the AGM, the Board of Directors and the President in accordance with Swedish corporate law, the Swedish Code of Corporate Governance and the Articles of Association.

INTERNAL GOVERNANCE SYSTEMS

The most important internal steering instrument consists of the Articles of Association that are adopted by the general meeting of shareholders. Other steering instruments include the Board's work plan and the Board's instructions for the CEO. In addition, the Board has adopted a number of policies and instructions containing rules for the entire Group's operations. These are evaluated yearly.

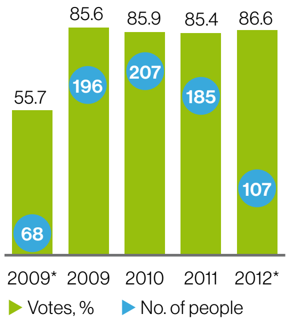
ARTICLES OF ASSOCIATION

The Articles of Association are adopted by the general meeting of shareholders and contain obligatory information of a fundamental nature to the company.

These articles specify the object of the company's operations, the size of the share capital, the voting rights attached to the different classes of shares and the permitted number of Board members. The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association (see under agreement regarding the Board's composition on page 65).

The full Articles of Association can be viewed at www.cloetta.com.

Attendance at AGMs/EGMs



* Extraordinary general meetings in Stockholm.
Other general meetings in Linköping.

SHAREHOLDERS

The class B shares in Cloetta AB (publ) have been listed on NASDAQ OMX Stockholm since 16 February 2009 and are traded on the Mid Cap list since 2 July 2012. The number of shares at year-end 2012 was 288,619,299, of which 278,757,685 were of class B and 9,861,614 were of class A, and the number of shareholders was 4,667. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

The largest shareholder is AB Malfors Promotor, which at year-end held 40.2% of the votes and 21.8% of the share capital. Other institutional investors held 53.5% of the votes and 69.9% of the share capital.

Following completion of the rights issue in April 2012, Yllop Holding S.A. and AB Malfors Promotor were the principal shareholders in Cloetta. After the end of the first quarter, the holding in Leaf Holding S.A. was divided and transferred to Cidron Pord S.á.r.l., which is owned by Nordic Capital Fund V, and Godis Holdings S.á.r.l, which is owned by funds under the advisorship of CVC Capital Partners. At year-end Godis Holdings S.á.r.l. held shares corresponding to 28.6% of the share capital and 21.9% of the votes in the company, and Cidron Pord S.á.r.l. held shares corresponding to 21.3% of the share capital and 16.3% of the votes in the company.

At the request of AB Malfors Promotor, Cloetta converted 1,938,386 class A shares in Cloetta, which are held by Malfors, to class B shares during the fourth quarter. Malfors thereby reduced its number of votes in Cloetta to 40.2% (39.9% after full exercise of the outstanding option programme issued by the three principal shareholders) in accordance with Malfors' undertaking to CVC and Nordic Capital in connection with Cloetta's merger with Leaf Holland B.V. earlier in 2012. After the conversion, the number of class A shares in Cloetta has decreased from 11,800,000 to 9,861,614, while the number of class B shares has risen from 276,819,299 to 278,757,685. Following conversion, the number of votes in Cloetta has decreased by 17,445,474. The share capital is unchanged at SEK 1,443,096,495, as is the total number of shares at 288,619,299.

GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders is the company's highest decision-making body. At a general meeting, all shareholders have the opportunity to exert an influence over the company by exercising the votes attached to their respective shareholdings. The powers and duties of the general meeting are regulated among other things by the Swedish Companies Act and the Articles of Association.

Cloetta's financial year, according to the decision of Cloetta's AGM on 19 December 2011, runs from 1 January to 31 December. Due to the decision of the 2011 AGM to change Cloetta's financial year to the calendar year, and the Board's decision to extend the current financial year, Cloetta's next AGM will be held in April 2013. Notice to attend must be given no more than six weeks and no fewer than four weeks prior to the AGM. The AGM resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of Board members and auditors, fees to Board members

The nominating committee ahead of the AGM on 11 April 2013 has the following composition:

Name	Representing	Share of votes at 31 Dec. 2012, %
Christer Wagenius, chairman	AB Malfors Promotor	40.2
Gustaf Martin-Löf	Godis Holdings S.á.r.l. (CVC Capital Partners)	21.9
Andreas Näsvik	Cidron Pord S.á.r.l. (Nordic Capital Fund V)	16.3
Lennart Bylock	Board of Cloetta AB	

and auditors, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association. Each shareholder has the right to participate in the AGM, either in person or by proxy.

Each class B share corresponds to one vote and each class A share to ten votes, although all shares carry equal entitlement to the company's assets and profits. Each shareholder has the right to participate in the AGM, either in person or by proxy. Every shareholder has the right to request that a matter be taken up at the AGM. A shareholder who wishes to have a matter addressed at the AGM must submit a written request to the Board. In order to be taken up at the AGM, the request must be submitted to the Board no later than one week before the earliest date on which the notice of meeting may be published (e.g. the request must be received no later than seven weeks before the AGM). In accordance with Chapter 7, 32§, of the Swedish Companies Act, all shareholders have the right, at a general meeting of shareholders, to pose questions to the company about the matters that are taken up at the meeting and the financial situation of the company and the Group.

2011 Annual General Meeting

The latest AGM was held on 19 December 2011 in Linköping. See more information under the heading "Cloetta prior to the merger" on page 69.

2012 Extraordinary General Meeting

An EGM was held in Stockholm on 15 February 2012 in respect of the proposed merger with LEAF. The EGM was attended by 107 individuals representing 86.6% of the votes. The EGM approved the Board's proposals regarding:

- The acquisition of Leaf Holland B.V.
- Amendments to the Articles of Association.
- A new issue of class C shares as part of the purchase consideration for the acquisition of LEAF Holland B.V. (see page 85).
- Authorisation for the Board to carry out a new issue of class A and B shares with preferential rights for existing holders of class A and B shares.
- The number of Board members elected by the AGM shall be nine, with no deputies.
- Election of Lennart Bylock (Chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop and Peter Törnquist as new Board members for the period until the end of the next AGM. Since the AGM on 19 December 2011, Cloetta's Board consisted of Mikael Svenfelt, Olof Svenfelt and Meg Tivéus. In connection with the EGM on 15 February 2012, former Board members Lennart Bohlin, Johan Hjertonsson and Ulrika Stuart Hamilton resigned. Aside from the Board members elected by the general meeting, the employee organisations have appointed two employee representatives and two deputies to the Board.
- Board fees for the period until the next AGM were set at SEK 250,000 for each of the Board members elected by the general meeting and SEK 500,000 for the Board Chairman.
- Fees for work on the Board's committees were set at SEK 100,000 for each member of the audit committee (the number of members on the audit committee shall be no more than four) and SEK 50,000 for each member of the remuneration committee (the number of members on the remuneration committee shall be no more than four). In addition, fees of SEK 100,000 shall be paid to each member of an integration committee formed specifically for the integration between Cloetta and LEAF, which shall be of a temporary nature (the number of members on the integration committee shall be no more than four).
- Changed guidelines for remuneration to the senior executives.

The full minutes from the EGM can be viewed at www.cloetta.com.

Annual General Meeting

The 2013 AGM will be held on Thursday, 11 April 2013, at 2:00 p.m., at Hotel Rival in Stockholm. Notice to attend the AGM was published on 7 March 2013 and included a description of the Board's proposals. For additional information, see "Annual General Meeting" on page 135 and www.cloetta.com.

NOMINATING COMMITTEE

The task of the nominating committee is to prepare recommendations to be put before the AGM for decision regarding election of Board members and the Board Chairman, fees to the Board of Directors, remuneration for committee work, election of a chairman of the AGM, election of auditors, auditing fees and rules for the nominating committee.

The AGM on 19 December 2011 adopted the following rules for the nominating committee:

1. The nominating committee shall consist of at least four and at most six members. Of these, one shall be a representative of the Board, appointed by the Board, and three

shall be members appointed by the major shareholders. The members thus appointed shall themselves appoint one additional member. In the cases specified in point 6, the number of members may amount to six.

2. Based on the ownership statistics provided to the company by Euroclear Sweden AB on the date falling five months before the end of the current financial year, the Board Chairman shall without undue delay contact the three largest shareholders in terms of voting power and offer each of these the opportunity, within a reasonable amount of time, to appoint a member to the nominating committee. If any of them does not exercise its right to appoint a member, the right to appoint such member shall be transferred to the next largest shareholder in terms of voting power which does not already have the right to appoint a member to the nominating committee.
3. The member who is appointed by the largest shareholder in terms of voting power shall be chairman of the nominating committee.
4. The members of the nominating committee shall serve until a new nominating committee has been appointed.
5. The names of the members of the nominating committee shall be made public as soon as the nominating committee has been appointed, but not later than six months before the upcoming AGM.
6. In the event of changes in the ownership structure after the date falling five months before the end of the current financial year, but before the date falling 12 weeks before the upcoming AGM, and if the shareholder who after this change has come to be one of the three largest shareholders in the company in terms of voting power makes a request to the chairman of the nominating committee to be part of the nominating committee, this shareholder shall have the right, according to the decision of the nominating committee, to appoint either an additional member to the nominating committee or a member to replace the member who has been appointed by the smallest shareholder in terms of voting power after the change in ownership structure.

7. If a member appointed by a shareholder resigns from the nominating committee during the mandate period or if such member is prevented from discharging his/her duties, the nominating committee – if time permits and the change is not due to special circumstances, for example that the shareholder has sold its shares – shall request that the shareholder who has appointed the member appoint a new member within a reasonable amount of time. If a member of the nominating committee who is appointed by the other members resigns or is preventing from discharging his/her duties, these must appoint a new member. If the shareholder does not meet the required criteria or does not exercise the right to appoint a new member, the right to appoint such member shall be transferred to the next largest shareholder in terms of voting power which has not already appointed or waived its right to appoint a member to the nominating committee.
8. No fees shall be paid to the members of the nominating committee, although the company shall reimburse expenses attributable to the work of the nominating committee.
9. The nominating committee shall put forward proposals for
   - Chairman of the AGM
   - Board members elected by the general meeting
   - The Board Chairman
   - Fees for Board members elected by the general meeting and their appointment between the Chairman, a possible Deputy Chairman, other members and for work on the Board's committees
   - Fees for the auditors
   - Election of auditors
   - Rules for the nominating committee
10. For a general meeting of shareholders other than the AGM, the nominating committee's proposals shall address the election(s) to be dealt with at such meeting.

Shareholders are welcome to send proposals to the nominating committee ahead of the 2013 AGM by e-mail to valberedningen@cloetta.com

BOARD OF DIRECTORS

According to the Articles of Association, Cloetta's Board of Directors shall consist of at least three and at most ten members elected by the general meeting. The EGM on 15 February 2012 resolved that the Board shall have nine members elected by the general meeting. For the period until the end of the next AGM, which will be held on 11 April 2013, the Board consists of Lennart Bylock (Chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop, Mikael Svenfelt, Olof Svenfelt, Meg Tivéus and Peter Törnquist.

In addition, the employee organisations have appointed two employee representatives to the Board, Lena Grönedal and Birgitta Junland, with Linus Ekegren and Birgitta Hillman as deputies. However, Birgitta Junland and Birgitta Hillman requested to leave the Board on 31 December 2012.

Mikael Svenfelt, Olof Svenfelt and Meg Tivéus have been members of the Board since Cloetta became an independent company following the demerger of Cloetta Fazer in 2008 (the latter two served on the board of Cloetta Fazer before that time), while the other Board members were elected at the above-mentioned EGM on 15 February 2012.

Aside from the employee representatives and their deputies, no Board member is employed by the company.

The average age of the Board members at year-end was 57 years and one of the nine members elected by the general meeting is a woman.

Of the Board's nine members, four are independent in relation to the company's major shareholders and all nine are independent in relation to the company and its management.

For information about the Board members' assignments outside the Group and shareholdings in Cloetta, see pages 74–75.

Agreement regarding the Board's composition

Malfors Promotor, CVC and Nordic Capital have entered into a shareholder agreement regarding the parties' shareholdings in Cloetta. According to the agreement, Cloetta's Board of Directors shall consist of nine members elected by the general meeting of shareholders. Malfors Promotor, CVC and Nordic Capital shall each have the right to nominate two Board members, on the understanding that the aforementioned parties shall exercise their influence in Cloetta to ensure that the members nominated in this manner are elected to Cloetta's Board of Directors.

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders. The Board is responsible for the company's organisation and oversight of the company's affairs. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance over the subsidiaries. The Board is responsible for ensuring that the company complies with the applicable laws, the Articles of Association and the Swedish Code of Corporate Governance. The Board shall continuously assess the financial situation of the company and the Group and ensure that the company's organisation is structured in such a way that the company's financial accounting, financial management and financial circumstances in general can be controlled satisfactorily. The Board's powers and duties are regulated by the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. The Board has also adopted a work plan for the Board and instructions for internal reporting to the Board which regulate the following:

1. The Board of Directors
2. The Board Chairman
3. The Board committees
4. The general meeting of shareholders
5. Reports to the market
6. Items of business to be taken up at Board meetings, etc.
7. Internal reports to the Board
8. Notice to attend meetings, etc.
9. Presence of a quorum of the Board
10. Minutes of Board meetings
11. Disqualification due to impartiality
12. Responsibilities of the Board
13. Fees

In addition, the Board has issued and adopted the following policies:

- Code of Conduct
- Communication and IR policy
- Finance policy
- HR policy
- Insider policy
- Insurance policy
- Internal control policy
- IT security policy
- Mergers and acquisitions policy

BOARD COMMITTEES

Audit committee

The audit committee shall have no more than four members who are appointed by the Board on a yearly basis. The majority of the committee members shall be independent in relation to the company and its management. At least one member shall be independent in relation to the company's major shareholders and have accounting or auditing expertise.

The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control, internal auditing and risk management regarding financial reporting. In brief, the audit committee, without affecting the other tasks and responsibilities of the Board, shall continuously meet with the company's auditors to stay informed about the focus and scope of the audit. The company's independent auditor Helene Willberg participates in all scheduled meetings of the audit committee. The audit committee shall meet at least four times per financial year. Once a year the committee shall meet without the presence of any member of the executive management and once a year without the presence of the auditor. Minutes shall be recorded at meetings of the audit committee. The audit committee shall inform the Board about the matters dealt with by the committee. The audit committee consists of Hans Eckerström (chairman), Peter Törnquist, Olof Svenfelt and Meg Tivéus. During the period from 16 February 2012 to 31 December 2012, the committee held eight meetings. So far in 2013, one audit committee meeting took place in February related to the financial statements for 2012.

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board. The main task of the remuneration committee is to prepare recommendations to the Board for decision on remuneration principles, remuneration levels and other terms of employment for the executive management, to monitor and evaluate ongoing and during the year completed programmes for variable remuneration to the executive management and to monitor and evaluate application of the guidelines for remuneration to senior executives as adopted by the AGM and of remuneration structures and levels in the Group. The remuneration committee shall meet at least twice every financial year. The Board's remuneration committee consists of Robert-Jan van Ogtrop (chairman), Lennart Bylock, Hans Eckerström and Mikael Svenfelt. During the period from 16 February 2012 to 31 December 2012, the committee held five meetings. So far in 2013, one remuneration committee meeting took place in February.

Integration committee

The Board may also form temporary committees to deal with specific matters, and in respect of the merger with LEAF set up a special integration committee of a temporary nature. The integration committee shall have no more than four members. The integration committee consists of Lennart Bylock (chairman), Hans Eckerström, Peter Törnquist and Mikael Svenfelt. During the period from 16 February 2012 to 31 December 2012, the committee held four meetings.

Chairman of the Board

The Chairman shall be elected by the general meeting of shareholders, and the EGM on 15 February 2012 elected Lennart Bylock as the new Board Chairman. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties, and has special responsibility for ensuring that the

work of the Board is well organised, effectively executed and monitors the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly and that the nominating committee is informed about the results of this evaluation. The purpose of the evaluation is to gather the Board members' opinions about the Board's performance and what measures can be taken to improve the efficiency of Board work.

Some of the Chairman's main duties are to:

- convene meetings when needed,
- in good time prior to each financial year, prepare a plan with dates for the AGM, scheduled board meetings and scheduled reports to the market,
- in consultation with the President, decide which matters are to be dealt with by the Board,
- ensure that the Board addresses the items of business to be dealt with by the Board according to law, the Articles of Association and the Swedish Code of Corporate Governance,
- on behalf of the Board, handle matters related to changes in the share capital and the number of shares, amendments to the Articles of Association and proposals for dividends,
- serve as the Board's spokesman when the Board is not gathered, and
- personally authorise costs that are attributable to the Board's activities and to the President.

President and Group Management Team

The President, who is also the CEO, is appointed by the Board, supervises operations according to the instructions adopted by the Board and is responsible for day-to-day management of the company and the Group in accordance with the Swedish Companies Act. In addition, the President, together with the Chairman, decides which matters are to be dealt with at Board meetings. The Board adopts instructions for the President on a yearly basis and continuously evaluates the President's duties.

The statutory meeting of the Board on 16 February 2012 decided to appoint Bengt Baron as the new President of Cloetta. For information about the President's significant

assignments outside the Group and shareholding in Cloetta, see page 76.

The President of Cloetta AB heads the Group Management Team. The Group Management Team is a consultatory body for the CEO and therefore has no autonomous executive authority. The Group Management Team meets as decided by the CEO. Aside from the CEO, the Group Management Team consists of the individuals appointed by the President.

Since completion of the merger on 16 February 2012, Danko Maras is Chief Financial Officer (CFO) of Cloetta. For information about the President and other members of the Group Management Team, see pages 76–77.

The President is responsible for ensuring that the Board members are supplied with the necessary information and decision data and presents reports and proposals at Board meetings regarding issues dealt with by the Group Management Team. The President continuously informs the Board and Chairman about the financial position and development of the company and the Group. The President's performance is evaluated continuously by the Board.

The President's main tasks include:

- acting as the CEO, which means overseeing and coordinating the Group's operations according to the Board's guidelines and instructions,
- ensuring that the Board's decisions are implemented, and
- ensuring that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is handled in a satisfactory manner.

Financial reporting

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be controlled satisfactorily and that external financial information such as interim reports and annual reports to the market is prepared in accordance with the legal requirements, relevant accounting standards and other requirements applicable to listed companies. The task of the audit committee is to support the Board in assuring the quality of the company's financial reporting.

The interim reports are examined by the Board's audit committee and are issued by the Board as a whole. The semi-annual report for the period from January to June, like the annual report, is issued by all members of the Board and the President. The CEO ensures that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. Cloetta AB's President is a member of the boards of all operating subsidiaries. Every month, the Group prepares a closing of the books that is submitted to the Board and the Group Management Team. The Board ensures the quality of the Group's financial reporting through the audit committee. The audit committee deals not only with the Group's financial reports and significant accounting matters, but also matters related to internal control, compliance, reliability of reported values, events after the balance sheet date, changes in estimates and judgements and other conditions affecting the quality of the financial reports.

Internal reports

The tasks of the Board are to oversee the Group's financial development, assure the quality of the Group's financial reporting and internal control and regularly monitor and evaluate operations. Internal reports such as the consolidated accounts are compiled and delivered to the Board on a monthly basis. For every financial year, a profit, balance sheet and investment budget is prepared for the Group and is adopted at the scheduled Board meeting in December.

Guidelines for remuneration to senior executives, etc.

Remuneration to the President, other members of the Group Management Team and other senior executives who report directly to the President, shall consist of fixed salary, variable salary, other benefits and pension benefits. When deemed appropriate by the Board, the executives in question shall also be offered the opportunity to participate in long-term share-based incentive schemes, which shall be resolved on by the general meeting of shareholders.

Any variable salary shall be linked to predetermined and measurable criteria, and shall be limited to the equivalent of one fixed annual salary.

The total remuneration package shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. In the event of dismissal on the part of the company, the term of notice shall be not longer than 12 months. Any termination benefits may amount to not more than one year's fixed salary. Defined contribution pension plans shall be strived for.

The retirement age shall be not lower than 60 and not higher than 67 years of age. These guidelines apply to agreements entered into after the decision of the EGM, and in cases where changes are made in existing agreements after this time. The Board shall have the right to deviate from these guidelines in individual cases where there is special reason to do so.

In addition to the above guidelines that were resolved on by the EGM on 15 February

2012, the following applies. Due to employment contracts entered into in LEAF prior to Cloetta's acquisition of the company, there are employment contracts with members of the Group Management Team granting termination benefits corresponding to 18 monthly salaries. Variable salary to the members of the Group Management Team is structured so that an annual bonus equal to 30%–50% of fixed annual salary is payable on the attainment of predetermined financial targets. In addition, a bonus equal to an additional 30%–50% of fixed annual salary is payable on the attainment of predetermined extraordinary financial performance targets.

When Cloetta's former President Curt Petri left his post in Cloetta in February 2012 in order to retire, he was paid termination benefits according to his employment contract with Cloetta. Information about Cloetta's incentive schemes is provided on page 97.

Board meetings

During the period from the statutory meeting after the EGM on 15 February 2012 until 31 December 2012, the Board held six scheduled meetings according to the following.

February: statutory meeting, decision on authorised signatories, election of remuneration committee, audit committee and integration committee, information about fees to the Board, appointment of a board representative to the nominating committee, decision on a new President, adoption of the Board's work plan and instructions for internal reporting to the Board, adoption of instructions for the President and CEO, adoption of policies, dates for Board meetings during 2012.

March: production strategy, integration process, decision on intention to close the factories in Aura, Finland, and Gävle and Alingsås, Sweden.

May: interim report for the period from January to March, production strategy, approval of instructions and policies, integration process.

August: interim report for the period from January to June, decision on the date and location of the next AGM, dates for the coming year's reports to the market (see "Financial calendar" on page 137) and dates for scheduled Board meetings in 2013, strategic work, production strategy, integration process.

November: interim report for the period from January to September, production strategy, integration process, tax issues, incentive scheme, Board evaluation.

December: budget for the coming year, decision on conversion of class A shares, evaluation of the President's performance.

So far in 2013, one additional scheduled Board meeting has been held:

February 2013: annual accounts, dividend, year-end appropriations, draft annual report and administration report, full-year report, matters ahead of the AGM, report from the auditors and evaluation of remuneration to senior executives.

At the scheduled meetings, the Board also discusses the activities and financial results of the company and the subsidiaries, as well as other pertinent projects and matters. Extra meetings may be held in addition to the scheduled meetings and, in urgent cases, also by telephone. Aside from the scheduled meetings, the Board held eight extra meetings during the period from 15 February 2012 to the publication of this annual report in March 2013. During these meetings, the Board dealt with matters related to the number of pledged shares, the sale of distribution operations in Belgium, decision on the rights issue and approval of the prospectus, conversion of class C to class B shares, (see page 85), allocation of shares in the rights issue, approval of the Parent Company's semi-annual report and tax issues.

AUDITORS

The auditors are responsible for examining the company's annual accounts and accounting records and the administration of the Board of Directors and the President. After every financial year, the auditors shall present an audit report to the AGM.

The AGM on 19 December 2011 re-elected the certified auditing firm of KPMG AB as the company's independent auditor to serve until the end of the next AGM. Authorised Public Accountant Helene Willberg is Auditor in Charge.

Auditor

KPMG AB

Helene Willberg

Auditor in Charge.

Born in: 1967.

Auditor for the company since 2007.

Authorised Public Accountant, KPMG AB.

Other auditing assignments: Investor AB, Thule Investment AB, Nobia AB and Höganäs AB.

Work of the Board in 2012

- Extraordinary general meeting, statutory meeting; • Decision on authorised signatories, appointment of the remuneration, audit and integration committees • Board fees • Decision on Board representative to the nominating committee • Decision on a new President • Adoption of the work plan for the Board, instructions for the President/CEO and policies • Dates of scheduled Board meetings in 2012
- Two extra Board meetings; • Decision on share pledge agreement • Decision on the sale of distribution operations in Belgium
- Scheduled Board meeting • Decision on intention to close three factories.
- Two extra Board meetings; • Decision on the rights issue • Approval of prospectus for the rights issue • Decision on financing document • Conversion of class C to class B shares
- Two extra Board meetings; • Allocation of shares in the rights issue • Approval of the Parent Company's semi-annual report
- Scheduled Board meeting; • Interim report Q1 • Approval of instructions and policies
- Two extra Board meetings; • Decision to close the factory in Gävle, Sweden • Tax issues
- Scheduled Board meeting; • Interim report Q2 • Decision on the date and location of the 2013 AGM and reporting date • Dates of the scheduled Board meetings in 2013 • Strategy
- Scheduled Board meeting; • Interim report Q3 • Board evaluation
- Scheduled Board meeting; • Budget/business plan for 2013 • Evaluation of the President's performance • Decision on conversion of class A to class B shares

Other fixed items at the scheduled Board meetings have included the President's situation report, earnings follow-up, production strategy and monitoring of the integration process.

Cloetta prior to the merger on 16 February 2012

Board of Directors

The latest AGM on 19 December 2011 re-elected the sitting Board of Directors, which until the EGM on 15 February 2012 consisted of the six members elected by the AGM: Olof Svenfelt (Chairman), Lennart Bohlin, Johan Hjertonsson, Ulrika Stuart Hamilton, Mikael Svenfelt and Meg Tivéus. During the same period, the employee representatives to the Board were Lena Grönedal and Birgitta Hillman, and, as deputies to these, Linus Ekegren and Birgitta Junland.

Fees for the period from the AGM on 19 December 2011 until the EGM on 15 February 2012 amounted to SEK 50,000 for the Board Chairman and SEK 43,750 for each of the other ordinary Board members. The members of the audit committee during the same period were paid fees of SEK 7,500 each and the members of the remuneration committee were paid fees of SEK 5,000 each.

Of the Board's six members, all were independent from the company and its management and four were independent from the company's major shareholders.

For information about the current Board of Directors, see earlier sections on pages 65 and 74–75.

President and Group Management

The President until the date of the merger in February 2012 was Curt Petri, who left his operating role in connection with the EGM on 15 February 2012 after more than 20 years on the management of Cloetta and previously Cloetta Fazer in order to retire.

Cloetta's Group Management Team prior to the merger consisted of Kent Sandin (CFO), Christina Björck, Karin Svärdh, Anders Jendeberg, Tony Wiréhn, Johan Eriksson, Johan Torell, Thomas Lundh and Thomas Wiesgickl.

For information about the current President and Group Management Team, see earlier sections on pages 66–67 and 76–77.

Committees

Audit committee

For the period from the AGM on 19 December 2011 until the EGM on 15 February 2012, the members of the audit committee were Olof Svenfelt, Mikael Svenfelt and Meg Tivéus.

Remuneration committee

From the period from the AGM on 19 December 2011 until the EGM on 15 February 2012, the members of the remuneration committee were Lennart Bohlin and Ulrika Stuart Hamilton.

2010/2011 Annual General Meeting

The latest AGM was held on 19 December 2011 in Linköping. The AGM re-elected Board members Olof Svenfelt (Chairman), Lennart Bohlin, Johan Hjertonsson, Ulrika Stuart Hamilton, Mikael Svenfelt and Meg Tivéus. In addition, the union organisations appointed two employee representatives and two deputies to the Board. Olof Svenfelt was elected as Board Chairman.

The AGM resolved that Board fees would be paid in a total amount of SEK 1,205,000 including fees for work on the Board's committees, to be apportioned between the members as follows. An amount of SEK 200,000 was to be paid to the Board Chairman and SEK 175,000 to each of the other Board members elected by the AGM.

Fees for work on the Board's committees were set at SEK 30,000 per member of the audit committee and SEK 20,000 per member of the remuneration committee. As a result of the merger, however, of the decided amount Cloetta paid only fees for the period from 19 December 2011 to 15 February 2012, see table below.

The AGM adopted the balance sheets and profit and loss accounts for the financial year 2010/2011, and, in accordance with the Board's proposal, resolved that no dividend would be paid.

The AGM also discharged the members of the Board of Directors and the President from liability for the financial year 2010/2011. The AGM approved the Board's proposed amendments to the Articles of Association and changed the financial year to the calendar year. Furthermore, the AGM adopted the proposed rules for the nominating committee and the Board's proposed guidelines for remuneration to senior executives.

Composition of the Board prior to 16 February 2012

Elected by the AGM[1]	Year elected	Born in	Total fees, SEK[2]	Independent from the shareholders	Independent from the company and management	Attendance[3] Board meetings
Chairman						
Olof Svenfelt	2008	1941	57,500	No	Yes	5/5
Members					Yes	
Lennart Bohlin	2008	1942	48,750	Yes	Yes	5/5
Ulrika Stuart Hamilton	2008	1958	48,750	Yes	Yes	4/5
Johan Hjertonsson	2008	1968	43,750	Yes	Yes	5/5
Mikael Svenfelt	2008	1966	51,250	No	Yes	5/5
Meg Tivéus	2008	1943	51,250	Yes	Yes	5/5

1) Board members Lennart Bohlin, Ulrika Stuart Hamilton and Johan Hjertonsson left the Board in connection with the extraordinary general meeting on 15 February 2012.
2) The paid fees refer to the period from 19 December 2011 to 15 February 2012.
3) Attendance for the period from the statutory meeting following the AGM on 19 December 2011 until the EGM on 15 February 2012. Of the five Board meetings, two were scheduled and three were extra.

Internal control

INTRODUCTION

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

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

The Board of Directors has defined guidelines for the above work which include roles, responsibilities and processes that are vital in maintaining good internal control. Internal control over financial reporting is thus a process that involves the Board of Directors, the executive management and the employees, and that is designed to provide reasonable assurance of the reliability of the external reporting. The following is a description of how internal control over financial reporting is currently organised. Internal control is organised in accordance with the guidelines for internal control adopted by the Board of Directors on 15 November 2012.

DESCRIPTION

Control environment

The control environment is the foundation for internal control and provides discipline and structure for all other components of the company's internal control. The elements of Cloetta's control environment include the corporate culture: the integrity, ethical values, management's operating style, delegation of authority systems, the processes for managing and developing people in the organisation as well as the attention and guidelines provided by the Board of Directors regarding these issues.

Within Cloetta, the control environment consists of the following principles that form a sound base for maintaining a well functioning internal control framework:

Integrity and ethical values

Cloetta's values and control environment provide the Board and executive management with a basis for the reasonable assurance of Cloetta achieving its objectives for internal control. The President and the executive management define Cloetta's values and ethical principles (reflected in the Code of Conduct) and set an example for the corporate culture, which creates the basis for the control environment. The Code of Conduct sets the standard of conduct for financial reporting, among other things.

The foundation of Cloetta's internal control framework is its values: Focus, Passion, Teamplay and Pride. Cloetta's values are reflected in its day-to-day relations with its suppliers, customers and investors, as well as in Cloetta's internal guidelines, policies, manuals, processes and practices.

Board of Directors

The members of the Board of Directors and the audit committee have broad experience of Cloetta's organisation and act independently from the executive management. The roles and responsibilities of the Board of Directors, audit committee and President are set out in the "Rules of procedure for the Board of Directors", the "Rules of procedure for and instructions to the audit committee" and the "Instructions for the CEO".

Through a well defined framework for decision and approval, the Board has adopted and communicated the powers of retained at the Board level and those delegated to the executive management and other management.

The Board of Directors and audit committee consist of members with in-depth financial expertise who understand and exercise oversight responsibility related to financial reporting and internal control. The audit committee actively monitors the risks affecting the reliability of financial reporting. The Board of Directors has submitted further instructions for financial reporting via the "Instructions for Financial Reporting" and the "Finance Policy".

The Board of Directors and audit committee interact directly with the external auditors. The shareholders have the exclusive authority to engage, replace and determine the compensation of the external auditor.

Management's philosophy and operating style

The management's philosophy and operating style contribute to achieving effective internal control. In assessment of accounting standards, and to ensure consistency in developing accounting estimates and judgements, the executive management works according to a clearly defined process that is described in the "Instructions for Financial Reporting". This process is continuously monitored by the executive management and the central finance team.

Organisation

Cloetta's organisational structure supports effective internal control. The local management is responsible for timely, consistent and reliable financial reporting in the group companies. The central finance team is responsible for timely, consistent and reliable financial reporting at the consolidated group level.

Financial reporting competencies

The executive and local management are actively involved in ensuring that there are competent employees in all key (financial) positions within the organisation. The management is also responsible for ensuring that adequate procedures are in place to safeguard that employees in key (financial) positions have the skills and abilities needed to effectively carry out the associated responsibilities of the function.

The executive and local management facilitate and support training of the employees to maintain the (financial) competencies at the required level. Furthermore, the management evaluates the competencies of all employees periodically to determine whether the employees' skills are appropriate for their current job responsibilities.

Cloetta supplements internal financial reporting competencies as needed through collaboration with respected external specialists.

Authority and responsibility

Employee responsibilities and skills are matched to the requirements of the specific function. The assignment of responsibility and delegation of authority are clearly defined for all employees including the Board of Directors, executive management and local management in the "Authorisation Framework" and the specific "Rules of Procedure".

Human Resources (HR)

Human resource management practices and processes play a fundamental role in Cloetta's system of internal control. They are designed and implemented to facilitate effective internal control. Cloetta's key human resource management processes with respect to internal control are compensation and benefits, HR development, recruitment, resource management and individual performance management, as well as processes for collecting feedback from the employees. These processes help to ensure the effectiveness of internal control in Cloetta. The HR function is responsible for maintaining and developing Cloetta's human resources processes to enable effective internal control also at the individual level.

Risk assessment

All units within Cloetta face a variety of risks from external and internal sources, that must be assessed. One precondition for risk assessment is the establishment of objectives, and risk assessment thus consists of the identification and analysis of relevant risks to the achievement of the assigned objectives. Risk assessment is a prerequisite for determining how the risks should be managed.

At Cloetta, risk assessment consists of the following basic principles:

Financial reporting objectives

The management specifies the financial reporting objectives with sufficient clarity and criteria to enable the identification of risks to reliable financial reporting. These objectives are set out in the "Instructions for Financial Reporting".

The instructions for financial reporting are elaborated in further detail in the "Accounting Manual" and "Reporting Manual". Cloetta's accounting manual contains instructions and guidance on accounting and financial reporting to be applied in all Cloetta companies. The manual supports the achievement of the objectives regarding the reliability of financial reporting in Cloetta.

Cloetta applies International Financial Reporting Standards (IFRS) for group reporting and other external financial reporting. The central finance team has adequate competencies to monitor compliance with the financial reporting objectives.

Both the local and central financial reporting are reviewed carefully. All deviations in the financial reporting are monitored and evaluated in terms of impact and size, and, depending on their materiality level, are adjusted.

Internal review activities are performed with the following objectives for financial reporting:

- Existence; reported assets and liabilities exist on the reporting date.
- Completeness; all transactions on the reporting date and during the reporting period are recorded and reported.
- Assets and liabilities: assets and liabilities consist of the rights and obligations that Cloetta has on the reporting date.
- Valuation and allocation; all items in the financial reporting are in accordance with IFRS valuation principles and are mathematically correct, appropriately summarised and recorded.
- Presentation and disclosure; items in the financial reports are properly described, sorted and classified.

Financial reporting risks

Risk assessment takes place at all levels within Cloetta. Planning and target setting, an integral part of Cloetta's Integrated Business

Management (CIBM), are a regular management activity and are not part of a specific internal control system. The establishment of objectives, however, is an important prerequisite for internal control. Through the performance management process, financial and non-financial targets are set for Cloetta annually at the group level. Group level targets are then translated into targets at the group company, local unit and finally the individual level. The continuous CIBM process includes the involvement of all management layers.

Tax and financing risks are reviewed proactively on a periodic basis. All important transactions are subject to a tax, legal and financial risk assessment. All assessed tax, legal, financial and business risks should be properly reflected in the consolidated financial statements.

The risk assessment evaluates the likelihood of the risk and the impact (consequence) if the risk occurs. The velocity is also considered in the assessment, since this could impact the magnitude of the risk.

Fraud risk

The potential for material misstatement due to fraud is explicitly considered in assessment or risks. The executive management and the central finance team continuously assess the risk of fraud with respect to the applicable incentives, attitudes and the opportunity to commit fraud. In this assessment, both the likelihood and impact are considered. Both the local and central management are responsible for designing appropriate internal controls primarily to prevent the risk of fraud but also to enable detection of fraud if applicable.

Control activities

Control activities are the policies and procedures that help to ensure that management directives are carried out. They contribute to ensuring that the necessary actions are taken to address risks that may hinder the achievement of the entity's objectives. Cloetta's control activities are based on the following principles:

Integrated risk assessment

Every identified risk should be "covered" by one or more control activities. If a control activity is not "covering" an identified risk, the activity is not effective and should therefore be eliminated. All control activities and identified business risks are linked to each other.

Selection and development of control activities

Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. The controls embedded in Cloetta's business processes play a key role in ensuring effective internal control in the company. Controls in the business processes help to ensure the achievement of all the objectives of internal control in Cloetta, especially those related to the efficiency of operations and safeguarding the company's profitability and reputation.

The local management is responsible for having all required control activities in place and maintained within their entities. The Group CFO is responsible for having all control activities at the central level operational and maintained. The control activities are always a mix of both preventative (e.g. approvals upfront by authorised persons) and detective controls. As far as possible, the control activities should be automated controls, but manual control activities are in place as well (at least to verify that the automated controls are functioning).

The different internal control activities are selected and developed within Cloetta in view of their costs and potential effectiveness in mitigating the risks in the organisation. The activities are performed only if the benefit (mitigation of a risk) is higher than the costs of implementing the control activity.

Policies and procedures

For all relevant aspects of business, policies are established and communicated throughout the organisation. The responsible manager periodically reviews the policies with respect to relevance, applicability and practicability. If applicable, the policies are updated and submitted by the executive management or the Board of Directors.

The Board of Directors submits the following policies and procedures as a minimum:

- Code of Conduct
- Communication and IR policy
- Finance policy
- HR policy
- Insider policy
- Insurance policy
- Internal control policy
- IT security policy
- Mergers and acquisitions policy

Cloetta has developed a general framework for policies. This framework provides instructions/guidelines for the minimum content of a policy. As far as possible, policies are developed at the central level and are rolled out throughout the Group. With this approach, consistency throughout the Group is realised. The local management is responsible for implementing group policies in their entities and, if needed, for adjusting local procedures and policies so that they are aligned with group policies. Local policies may deviate from group policies where the group policies form a minimum position. Local policies may therefore be stricter than the group policies.

The executive and local management continuously monitor that the applicable policies and procedures are applied in the organisation in a timely and consistent manner. In case of deviation, the involved persons are provided with feedback.

Information technology

In all operating IT systems, internal control measures are incorporated or the IT systems support the internal control framework. In the selection phase of a new IT system, the possibility of building in essential application controls is evaluated. Application controls are built into computer programs and are designed to provide complete and accurate information. These application controls are always supported by manual procedures that check whether the application controls are still effective.

The "Global IT Security Policy" provides preconditions for the applicable IT security for the entire Group. The executive management periodically monitors that the Global IT Security Policy is applied throughout the Group.

Information and communication

An effective internal control system requires sufficient, timely and reliable information to enable the management to follow up the achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Informal methods are used for employees to provide feedback to the management and to communicate suspected misconduct.

Information systems play a key role in internal control systems, as they produce reports, including operational, financial and compliance-related information, which make it possible to run and control the business. In a broader sense, effective communication must ensure information flows in the organisation. For example, there are formalised procedures for people to report suspected fraud. Effective communication about relevant policies should also be ensured with external parties, such as customers, suppliers, regulators and shareholders about related policy positions.

Within Cloetta, the information and communication component of the internal control framework is based on the following principles:

Financial reporting

Pertinent information is identified, captured, used at all levels of the company, and distributed in a form and timeframe that supports the achievement of the financial reporting objectives. As far as possible, management reporting is directly linked to the financial reporting and consolidation tool (Outlooksoft). Both financial and management reporting make use of the same source of data submitted in Outlooksoft.

Cloetta has a predefined management reporting package that also includes financial reporting. The integrated reporting package is provided on a monthly frequency to the Board of Directors and executive management. The management reporting package provides both operating and financial information.

Within Cloetta, the timeliness and accuracy of internal and external reporting are safeguarded through the use of corporate planning and a regular meeting schedule. In addition, competent employees review the internal and external reports.

Internal control information

In case of potential weaknesses assessed by the central finance team, the central finance team performs internal control audits to ensure the effectiveness of the internal control. This audit is performed based on standards applied by external auditors. The central finance team reports to the local management team, executive management team, audit committee and Board of Directors.

Internal communication

Separate communication channels are used to communicate: scheduled Webex sessions, telephone calls and group bilateral meetings, for example via the intranet, e-mails, teleconferences, etc. The executive and local management shall always ensure that if one of the chosen communication channels is considered inoperative or ineffective, another effective channel is used in its place.

The Board of Directors has access to information sources apart from the information provided by the executive management. These own sources are both internal and external (e.g. external auditors and regulatory authorities).

External communication

All external communication is carried out in accordance with the Communications and IR Policy.

MONITORING

Internal control systems need to be monitored to assess the quality of the system's performance over time.

Within Cloetta, the following principles are applied for the monitoring component of the internal control framework:

Ongoing and separate evaluations

Monitoring of whether the internal controls are still effective is accomplished through ongoing monitoring activities or separate evaluations.

Within Cloetta, the main monitoring controls are the continuous reviews that are performed by the local and central management and are incorporated into all business transactions and processes.

The local management is responsible for ensuring that relevant laws and regulations are complied with in their respective areas of responsibility. The executive management assesses and assures the adequacy and effectiveness of Cloetta's internal controls and risk management. The audit committee and the Board of Directors in turn perform monitoring as part of their regular supervisory activities.

Internal control deficiencies

Internal control deficiencies detected through the ongoing monitoring activities or separate evaluations are reported upstream and corrective actions are taken to ensure continuous improvement of the internal controls.

Every quarter the non-adjusted but signaled deficiencies in internal or external reporting are reported in the quarterly review memo and discussed with the involved persons and executive management members.

ROLES AND RESPONSIBILITIES

Cloetta applies the principle of centrally led but locally managed business. The Board of Directors and the audit committee are responsible for establishing the main principles and guidelines for the internal control framework. The executive management is responsible for effective design and implementation of the internal control framework for central activities within the Group.

The CFO is responsible for the design, implementation and proper application of the internal control framework at the central level. The local financial directors are responsible for the design, implementation and proper application at the local level, which supports the realisation of the corporate objectives.

Both the Board of Directors and the audit committee are responsible for supervision of the internal control framework on an ongoing basis.

EVALUATION OF THE NEED FOR A SEPARATE INTERNAL AUDIT FUNCTION

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

Board of Directors

Lennart Bylock

Board Chairman, chairman of the integration committee and member of the remuneration committee.

Elected to the Board: 15 February 2012

Born: 1940

Nationality: Swedish

Other assignments: Chairman of Sigur S/A Switzerland. Board member of Swede Ship Marine AB, Villa Godthem Förvaltnings AB, Danish AS3 Companies and Bylock Konsult AB.

Previous assignments: President and CEO of Nitro Nobel Group. CEO and Chairman of B&N AB (Transatlantic). Chairman of Endomines AB (publ), Varta, Cellmark and Stiftelsen Natur & Kultur. Board member of LE Lundbergföretagen, AS3 Svenska AB, Cloetta AB and Cloetta Fazer AB. Lennart has also held a number of positions in the shipping, banking and finance sectors.

Independent from major shareholders: Yes

Independent from the company and management: Yes

Shareholding: –

Related party shareholdings: 101,764 class B shares.

Hans Eckerström

Board member, chairman of the audit committee and member of the remuneration and integration committees.

Elected to the Board: 15 February 2012

Born: 1972

Nationality: Swedish

Education: MSc Mechanical Engineering, Chalmers University of Technology, and MSc Business Administration, University of Gothenburg, Sweden.

Other assignments: Partner at Nordic Capital Advisory AB. Chairman of Britax Childcare Ltd and SiC Holding GmbH. Board member of Aditro Group AB, Nefab Holding AB, Eckis Holding AB, ENC Holding AB, ENC Products AB, Nordic Cecilia Four AB, Nordic Outsourcing Services AB, NRS Holding AB and Thule Group AB.

Previous assignments: Board member of Nossegem AB, SATS Holding AB and Tradimus Holding AB. Hans has previously had board assignments in C More Group AB. Hans has also been active at Arthur D. Little.

Independent from major shareholders: No

Independent from the company and management: Yes

Shareholding: –

Håkan Kirstein

Board member.

Elected to the Board: 15 February 2012

Born: 1969

Nationality: Swedish

Education: MSc Business Economics, Stockholm University, Sweden.

Other assignments: Board member of Kemetyl Group AB.

Previous assignments: President, CEO and board member of Niscayah Group AB until January 2012. CEO of Svenska Statoil AB and a number of assignments within Statoil, including CEO of StatoilHydro Sweden and Statoil Detaljhandel AB. Board member of Intersport Sverige AB, PAF Service AB, SPBI Service AB. Niscayah Group AB, SPBI Service AB, Intersport AB and PAF Service Aktiebolag.

Independent from major shareholders: Yes

Independent from the company and management: Yes

Shareholding: –

Adriaan Nühn

Board member.

Elected to the Board: 15 February 2012

Born: 1953

Nationality: Dutch

Education: MBA, University of Puget Sound, Tacoma, Washington, USA, and BA of Business Administration, Hogere Economische School, Eindhoven, the Netherlands.

Other assignments: Chairman of Sligro Food Group N.V. and Macintosh Retail Group N.V. Board member of Plukon Food Group, Anglovaal Industries Ltd., Stern Group N.V. and Kuoni AG.

Previous assignments: Executive Vice President of Sara Lee Corporation. CEO and Chairman of Sara Lee International and President of Global Coffee and Tea Division at Sara Lee. Area Manager Scandinavia at Procter & Gamble. Managing Director of Procter & Gamble Austria.

Independent from major shareholders: Yes

Independent from the company and management: Yes

Shareholding: 198,363 class B shares.

Robert-Jan van Ogtrop

Board member and chairman of the remuneration committee.

Elected to the Board: 15 February 2012

Born: 1956

Nationality: Dutch

Education: MBA, the Graduate School of Management, Rotterdam, and BA in Business Economics, Erasmus University, Rotterdam, the Netherlands.

Other assignments: Investor in renewable energy/clean technology, Industrial Partner and Advisory Board Member of CVC Capital Partners. Chairman of African Parks, founder and chairman of TBL Mirror Fund. Board member of Xindao and Enviu, founder and chairman of Circle Economy, Trustee of the Wilderness Foundation/Wilderness Leadership School.

Previous assignments: President and CEO of Remy Cointreau. Chairman and President of Bols Royal Distilleries. CEO of Bols International B.V., Chairman of the Foundation for Natural Leadership, C1000, Massive, Unireg and Retail Network.

Independent from major shareholders: No

Independent from the company and management: Yes

Shareholding: 87,158 class B shares.

Mikael Svenfelt

Board member and member of the remuneration and integration committees.

Elected to the Board: 25 August 2008

Born: 1966

Nationality: Swedish

Education: Marketing and business economist, Tibbleskolan, and law studies, Folkuniversitetet, Sweden.

Other assignments: CEO and board member of AB Malfors Promotor. Chairman of Fjärilshuset Haga Trädgård AB. Board member of Fjärilshuset Haga Trädgård Café AB and Rollox AB.

Previous assignments: Senior positions in Nicator group, Dell Financial Services and GE Capital Equipment Finance AB.

Independent from major shareholders: No

Independent from the company and management: Yes

Shareholding: 25 class A shares and 37,535 class B shares.

Related party shareholdings: 8,730 class B shares.

Olof Svenfelt

Board member and member of the audit committee.

Elected to the Board: 25 August 2008

Born: 1941

Nationality: Swedish

Education: MSc Engineering, Faculty of Engineering, LTH, Lund University, and LL B, Stockholm University, Sweden.

Other assignments: Board member of AB Malfors Promotor, Highland Group AB, the Hjalmar Svenfelt Foundation, the Wilhelm Stenhammar Foundation and the Georg Hultner Foundation.

Previous assignments: Chairman of Cloetta AB and Deputy Chairman of Cloetta Fazer AB. Board member of Metoden Agenturer AB and the Hagdahl Academy Foundation.

Independent from major shareholders: No

Independent from the company and management: Yes

Shareholding: 30 class A shares and 2,347,300 class B shares.

Related party shareholdings: 9,855,954 class A shares and 53,370,661 class B shares.

Meg Tivéus

Board member and member of the audit committee.

Elected to the Board: 5 November 2008

Born: 1943

Nationality: Swedish

Education: MBA, Stockholm School of Economics, Sweden.

Other assignments: Chairman of Arkitektkopia AB, Björn Axén AB, Folktandvården Stockholms län AB and Solhagagruppen AB. Board member of Meg Tivéus AB, Nordea Fonder AB, Swedish Match AB, 02 El ekonomisk förening and Endomines AB.

Previous assignments: Chairman of Boss Media AB and Danderyds Sjukhus AB. Board member of Addici AB, Apoteket Farmaci AB, Billerud AB, Cloetta Fazer AB, Frösunda LSS AB, IUC Sverige AB, Nordic Cable Acquisition Company Sub-Holding AB, SC Intressenter AB and Victoria Park AB. Meg has also been CEO of Svenska Spel AB, Deputy CEO of Posten AB, Division Manager at Holmen AB and Åhléns AB, Manager at Nordiska Kompaniet and Product Manager at Modo AB.

Independent from major shareholders: Yes

Independent from the company and management: Yes

Shareholding: 1,008 class B shares.

Peter Törnquist

Board member and member of the audit and integration committees.

Elected to the Board: 15 February 2012

Born: 1953

Nationality: Swedish

Education: MSc Economics and Business, Stockholm School of Economics, Sweden, and MBA, IMD Lausanne, Switzerland.

Other assignments: Partner at CVC Capital Partner and responsible for CVC in the Nordic countries. Chairman of CVC Capital Partners Svenska AB, Svenska M Holding AB, Keravel AB, Crozon Invest AB and P Törnquist Invest i Stockholm AB. Board member of Ahlsell AB, Matas A/S, United Waters AG and Pure Sailing AB.

Previous assignments: Chairman of Retail Television AB, Starbreeze Studios AB and DT Group A/S and board member of Posten A/S. Managing Director at Lehman Brothers. Senior Partner at Bain & Company.

Independent from major shareholders: No

Independent from the company and management: Yes

Shareholding: –

Employee representatives

Lena Grönedal

Employee representative, the Swedish Food Workers' Union (LIVS).

Elected to the Board: 5 November 2008

Born: 1962

Nationality: Swedish

Position: Factory operative at Cloetta Produktion Sverige AB.

Shareholding: –

Birgitta Junland[1]

Employee representative, the Negotiation Cartel for Salaried Employees (PTK).

Elected to the Board: 5 November 2008, employee representative deputy 2008–2012

Born: 1962

Nationality: Swedish

Position: Salaried employee at Cloetta Sverige AB.

Shareholding: –

Employee representatives, deputies

Linus Ekegren

Employee representative deputy, the Swedish Food Workers' Union (LIVS).

Elected to the Board: 5 November 2008

Born: 1975

Nationality: Swedish

Position: Factory operative at Cloetta Produktion Sverige AB.

Shareholding: 1,945 class B shares.

Birgitta Hillman[1]

Employee representative deputy, the Negotiation Cartel for Salaried Employees (PTK).

Elected to the Board: 5 November 2008, employee representative 2008–2012

Born: 1947

Nationality: Swedish

Position: Salaried employee at Cloetta Sverige AB.

Shareholding: 95 class B shares.

1) Birgitta Junland and Birgitta Hillman resigned as employee representatives at their own request on 31 December 2012.

Shareholding at 31 December 2012.

Group Management Team

Bengt Baron

President and CEO since 16 February 2012.

Born: 1962

Nationality: Swedish

Education: BS, University of California at Berkeley, MBA, University of California, Berkeley, USA.

Other assignments: Chairman of MIPS AB. Board member of Thule Group AB and 5653 Sweden AB.

Previous assignments: President and CEO of LEAF, 2009–2012, President and CEO of V&S Vin & Sprit, 2004–2008, Business Manager of V&S Absolut Spirits, 2001–2004, Nordic President at Stepstone, 1999–2001, Business Manager at Consumer Imaging Kodak Nordic, 1996–1999, CEO of Frionor Sweden, 1994–1996, Business Manager at Coca-Cola Company Sweden, 1992–1994, and Management Consultant at McKinsey & Co, 1988–1992. In the past five years Bengt has completed assignments as chairman of Pendulum AB and board member of Nordnet AB, Lundhags Förvaltning AB, Five Seasons Försäljningsaktiebolag, EQ Oy, the Sweden-America Foundation and Tenson Group AB.

Holdings of shares and call options: 4,838,082 call options.

Giorgio Boggero

President of Italy and Rest of the World since 16 February 2012.

Born: 1969

Nationality: Italian

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

Other assignments: –

Previous assignments: President of LEAF Italy, 2010–2012, since 2012 also responsible for Rest of the World, Commercial Director at LEAF Italy, 2009–2010, CEO of Bialetti Industries International Markets, 2007–2008, Commercial Director for L'Oréal Italy, 2004–2006, Marketing and Category Manager for L'Oréal Italy, 2002–2004. Several positions in marketing and sales for L'Oréal and Kimberly Clark in Italy and France, 1994–2002.

Holdings of shares and call options: 1,036,731 call options.

Jacob Broberg

Senior Vice President Corporate Communications and Investor Relations since 16 February 2012.

Born: 1964

Nationality: Swedish

Education: BA in Political Science and Economics, Lund University, Sweden.

Other assignments: –

Previous assignments: SVP Corporate Communications at LEAF, 2010–2012, Vice President Corporate Communications at TeliaSonera, 2008–2010, Senior Vice President Corporate Affairs and Communication at V&S Vin & Sprit AB, 2005–2008, Vice President Media Relations at Electrolux, 2001–2005, and Vice President Corporate Communications at Länsförsäkringar, 2000–2001. Various positions, including Head of Media Relations and Information for Moderata Samlingspartiet, 1989–2000.

Holdings of shares and call options: 806,347 call options.

Johnny Engman

Senior Vice President Corporate Development and M&A since 1 May 2012.

Born: 1977

Nationality: Swedish

Education: MSc in Economics and Business Administration, Stockholm School of Economics, Sweden.

Other assignments: Board member of Menigo AB.

Previous assignments: Director at Nordic Capital Advisory AB, 2004–2012, where he has worked with companies in various sectors, including retail and fast-moving consumer goods. Management Consultant at McKinsey & Company in Stockholm, 2001–2004. Board member of StudentConsulting AB, 2006–2010, and Luvata Ltd., 2007–2009.

Holdings of shares and call options: –

Ewald Frénay

President Middle since 16 February 2012.

Born: 1963

Nationality: Dutch

Education: MSc Economics, Erasmus University Rotterdam, the Netherlands.

Other assignments: –

Previous assignments: President Middle at LEAF, 2011–2012, Chief Marketing Officer and Senior Vice President Sales Rest of the World, 2008–2011. Member of LEAF Executive Committee, 2008-2012. Vice President Segment Sugar Confectionery, 2005–2007, Marketing Director of Sugar Confectionery Division, (former subsidiary CSM), 2004–2005, Marketing Director of RBV Leaf the Netherlands (former subsidiary CSM), 2000-2004. Several marketing and sales positions at Mars Inc., European Franchise Manager for SNICKERS, 1997–1999, Divisional Sales Manager Snackfood, 1995–1997, Brand Manager roles in Snack and Petfood, 1990–1995, Management Trainee, 1989–1990.

Holdings of shares and call options: 1 ,727,886 call options.

Jacqueline Hoogerbrugge

President Operations since 16 February 2012.

Born: 1963

Nationality: Dutch

Education: MSc Chemical Engineering, University of Groningen, the Netherlands.

Other assignments: Board member of Cederroth Intressenter AB.

Previous assignments: President Operations at LEAF, 2010–2012, Vice President Operations at Danone's Medical Nutrition Division, 2009–2010, and Vice President Procurement at Numico Baby & Medical Food, 2006–2009. Various positions in engineering, manufacturing and procurement at Unilever 1992–2006, and in engineering and sales at Fluor Daniel, 1988–1992.

Holdings of shares and call options: 564,273 call options.

Edwin Kist

Senior Vice President Human Resources since 16 February 2012.

Born: 1950

Nationality: Dutch

Education: MSc Sociology of Organisation & Labour, University of Groningen, the Netherlands.

Other assignments: –

Previous assignments: SVP Human Resources at LEAF, 2005–2012, Interim Manager (various assignments), 2002–2005, Vice President Human Resources at Royal Wessanen, 1995–2002, HR Director at KNP/BT, 1991–1995, HR Director at Royal Nijverdal-ten Cate, 1988–1991.

Holdings of shares and call options: 806,347 call options.

Danko Maras

Chief Financial Officer since 16 February 2012.

Born: 1963

Nationality: Swedish

Education: BSc Business Administration and Economics, Uppsala University, Sweden.

Other assignments: –

Previous assignments: CFO of LEAF, 2010–2012, CFO/COO at Unilever Nordic, 2007–2010, VP Finance Supply Chain at Unilever North America, 2004–2006, Head of Unilever Corporate Finance Western Europe & Personal Assistant to the Group Treasurer at Unilever Head Office, the Netherlands, 2000–2003, Chief Accountant at Unilever Cosmetics International Switzerland, 1997–2000, Corporate Auditor at Unilever, 1993–1996, Management Trainee at Unilever Sweden, 1992–1993. Danko has also been board chairman of Slottsfabriken Fastighets AB.

Holdings of shares and call options: 1,958,270 call options.

David Nuutinen

President Finland since 16 February 2012.

Born: 1959

Nationality: Finnish

Education: MSc Economics, Helsinki School of Economics, Finland.

Other assignments: Chairman of Kamux Oy.

Previous assignments: President of LEAF Finland, 2005–2012, Commercial Director at LEAF Finland, 2003–2005, General Manager of PepsiCo Beverages, Finland, Baltics, Ukraine, 2000–2002, Operations Director at McDonald´s Finland, 1996–2000, various marketing and sales positions at Vaasanmylly Oy, 1986–1996. In the past five years David has completed the assignment as board member of Turun Vapaavarasto Oy and DNA Oy.

Holdings of shares and call options: 1,727,886 call options.

Lars Påhlson

President Scandinavia since 16 February 2012.

Born: 1959

Nationality: Swedish

Education: BA Economics and Marketing, Växjö University, PED, IMD, Lausanne, Switzerland.

Other assignments: Chairman of Rasta Group, Cleano AB and DLF Serviceaktiebolag. Board member of GS1 Sweden AB and Validoo AB.

Previous assignments: President Scandinavia at LEAF, 2008–2012, President of Campbells Nordic, 2005–2008, Senior Vice President Carlsberg Nordic, 2001–2005, Managing Director Falcon Brewery, 1998–2001, Vice President Nestlé Nordic Findus, 1996–1998, Marketing Director Nestlé Sweden, 1994–1996, various positions in sales and marketing at Nestlé Sweden and Nestlé Switzerland, 1982–1994.

Holdings of shares and call options: 1,267,116 call options.

Erwin Segers

Chief Marketing Officer since 1 March 2012.

Born: 1967

Nationality: Belgian

Education: MSc Business and Economics, University of Antwerp, Belgium.

Other assignments: –

Previous assignments: Marketing Director at LEAF Holland, 2010–2012, Senior Marketing Director at Philips, 2006–2010, Marketing Director at Cadbury Netherlands (part of KRAFT), 2002–2006. Several senior positions in marketing and sales at Sigma Coatings, Hero and Maxxium, 1990–2002.

Holdings of shares and call options: 115,192 call options.

Shareholding at 31 December 2012.

Consolidated profit and loss account

SEKm	Note	2012	2011[3]
Net sales	2	4,859	4,658
Cost of goods sold	3, 4, 5, 6, 7, 8	–3,157	–2,911
Gross profit		**1,702**	**1,747**
Other operating income	2	13	1
Selling expenses	3, 4, 5, 6, 7, 8	–888	–915
General and administrative expenses	3, 4, 5, 6, 7, 8	–702	–473
Operating profit		**125**	**360**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	9	20	–12
Other financial income	9	5	11
Other financial expenses	9	–290	–599
Net financial items		**–265**	**–600**
Profit before tax		**–140**	**–240**
Income tax expense	10	67	172
Profit for the year		**–73**	**–68**
Profit for the period attributable to:			
Owners of the Parent Company		–73	–68
Earnings per share, SEK			
Basic and diluted[1]	20	–0.26	–0.26
Number of shares at end of period[2]		288,619,299	262,137,526
Average numbers of shares[2]		276,132,021	262,137,526

1) The comparative earnings per share are not representative for the current group due to changes in the equity structure resulting from the merger of Cloetta and LEAF.
2) The number of shares in the comparative figures has been restated in respect of the rights issue and the reverse acquisition.
3) The comparative figures have been adjusted for the impact of the early adoption of IAS 19R. See Note 1.

Consolidated statement of comprehensive income

SEKm	2012	2011
Profit for the period	**–73**	**–68**
Other comprehensive income		
Remeasurement of defined benefit pension plans	–100	–31
Income tax on remeasurement of defined benefit pension plans	30	8
Currency translation differences	–68	2
Total comprehensive income, net of tax	**–211**	**–89**
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	–211	–89

Quarterly data

	2012	Q4	Q3	Q2	Q1	2011	Q4	Q3	Q2	Q1
Net sales, SEKm	4,859	1,404	1,159	1,212	1,084	4,658	1,371	1,124	1,120	1,043
Operating profit, SEKm	125	82	90	–53	6	360	84	129	74	73
Operating margin, %	2.6	5.7	7.9	–4.4	0.5	7.9	6.7	11.6	6.6	6.9

Comments on the consolidated profit and loss account

NET SALES

Net sales for the full year rose by SEK 201m to SEK 4,859m (4,658) compared to last year. The increase in net sales is attributable to the merger between Cloetta and LEAF. The divestment of the distribution business in Belgium during the first quarter and the termination of an agreement for a third-party brand in Italy as of 1 January 2012 resulted in an expected decrease in sales in these two markets.

Underlying net sales fell by 4.1%. Sales during the year were down in several markets, which was primarily noticeable in Italy and Norway. Sales in Finland showed positive development, partly owing to a recovery after the introduction of a confectionery tax. Sales in the United Kingdom and outside the main markets also increased.

GROSS PROFIT

Gross profit amounted to SEK 1,702m (1,747), which is equal to a gross margin of 35.0% (37.5). Gross margin was mainly diluted as a result of the merger between Cloetta and LEAF and by higher raw material costs.

OPERATING PROFIT

Operating profit was SEK 125m (360). The decrease was caused mainly by several items affecting comparability, but higher raw material costs, lower sales and some temporary costs in manufacturing also had an impact on operating profit.

Underlying EBITA

Underlying EBITA amounted to SEK 439m (548). The decrease is primarily attributable to higher raw material costs, but also to lower net sales and some temporary costs in manufacturing.

Items affecting comparability

Operating profit for the full year includes total items affecting comparability of SEK –309m (–209). These include non-recurring items that consist of costs for the merger between Cloetta and LEAF, factory restructurings, a non-cash capital loss arising from the divestment of the distribution business in Belgium.

A total of SEK 187m (28) of the items affecting comparability is recognised in administrative expenses and SEK 121m (167) is recognised in cost of goods sold in the profit and loss account. See also Note 7.

NET FINANCIAL ITEMS

Net financial items improved to SEK –265m (–600). The improvement is mainly a result of lower interest expenses on loans from former shareholders in LEAF, since these loans were converted into equity on 15 February 2012. Total interest on loans from former shareholders in LEAF amounted to SEK –61m (–441). The impact of the lower interest expenses has been partly offset by higher capitalisation of financing costs. Due to the agreement for a new credit facility that was signed on 15 December 2011, but effective in the second quarter of 2012, the remaining previously capitalised financing costs have been expensed in full. The financing costs for the new credit overdraft facility will be amortised over the period covered by the credit agreement. Total costs for amortised financing costs amounted to SEK 52m (15). Both the interest on the shareholder loans and amortisation of the financing costs are non-cash items. The net financial items were also positively impacted by positive exchange differences on borrowings and cash for an amount of SEK 20m (–12). The other net financial items do not materially deviate compared to the previous year.

PROFIT FOR THE YEAR

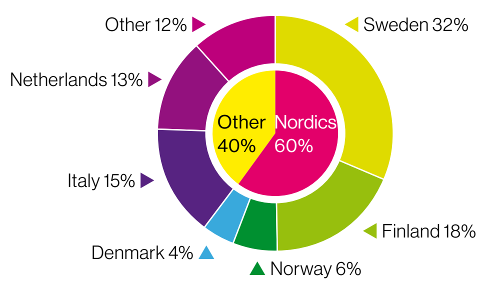
Profit for the year was SEK –73m (–68), which is equal to basic and diluted earnings per share of SEK –0.26 (–0.26). Income tax expense for the period was SEK 67m (172).

KEY RATIOS

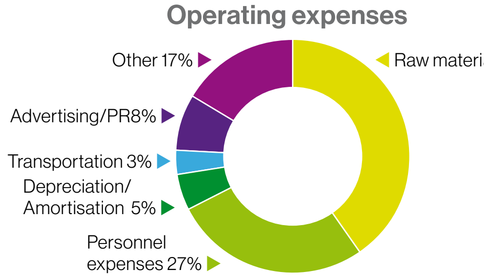
%	2012	2011
Gross margin	35.0	37.5
Operating profit margin	2.6	7.8
Return on capital employed	2.4	5.0
Return on equity	–2.2	na

For definitions, see page 136.

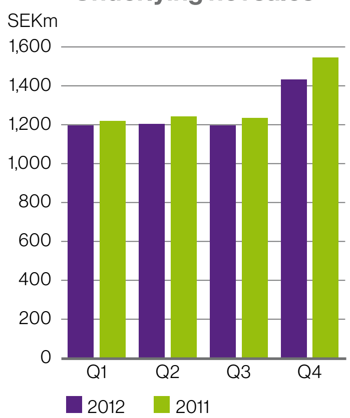
Net sales by country



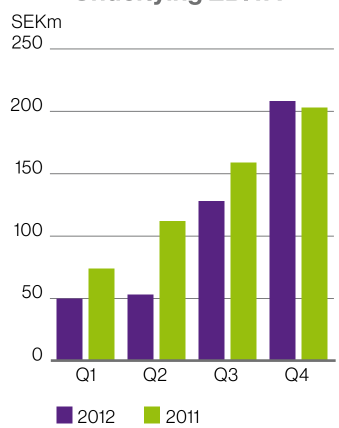
Operating expenses



Underlying net sales



Underlying EBITA



Consolidated balance sheet

SEKm	Note	31 Dec 2012	31 Dec 2011
Intangible assets	11	5,099	4,811
Property, plant and equipment	12	1,611	1,318
Deferred tax asset[2]	13	473	447
Financial assets	14	88	261
Total non-current assets		**7,271**	**6,837**
Inventories	15	773	640
Trade receivables	16	825	885
Other receivables	16	93	137
Prepaid expenses and accrued income	16	33	29
Current income tax assets	13	4	2
Cash and cash equivalents	17	306	97
Total current assets		**2,034**	**1,790**
Assets held for sale	18	35	15
TOTAL ASSETS		**9,340**	**8,642**
Share capital		1,443	122
Other paid-in capital		4,124	1,604
Translation difference reserve		–74	–6
Retained earnings including profit for the year[2]		–2,167	–2,105
Equity	19	**3,326**	**–385**
Borrowings	23	2,516	6,077
Deferred tax liability	13	824	728
Derivative financial instruments	24	3	–
Provisions[2]	21/22	463	274
Total non-current liabilities		**3,806**	**7,079**
Borrowings	23	747	747
Derivative financial instruments	24	21	–
Trade payables	25	657	490
Other payables	25	156	156
Provisions	22	79	60
Accrued expenses and deferred income	25/26	451	392
Current income tax liabilities	13	97	103
Total current liabilities		**2,208**	**1,948**
TOTAL EQUITY AND LIABILITIES		**9,340**	**8,642**
Pledged assets[1]	23	–	–
Contingent liabilities	30	30	36

1) For the pledged assets, see Note 23, Borrowings.
2) The comparative figures have been adjusted for the impact of the early adoption of IAS 19R. See Note 1.

Total equity is attributable to the owners of the Parent Company.

Comments on the consolidated balance sheets

ASSETS

Total assets at 31 December 2012 amounted to SEK 9,340m, an increase of SEK 698m compared to the previous year.

Intangible assets totalled SEK 5,099m (4,811). The increase in the intangibles is for an amount of SEK 365m attributable to the merger between Cloetta and LEAF. The year's investments amounted to SEK 29m (31). Amortisation is reported at SEK –14m (–16). Exchange differences on capitalised intangible costs amounted to SEK –131m (–23). Of total intangible assets, SEK 5,020m pertained to consolidated goodwill and trademarks. Other intangible assets referred mainly to software, which is capitalised when the expenses are expected to generate future economic benefits. Internally generated costs for trademarks are not capitalised. Neither goodwill nor trademarks are amortised, but are instead tested for impairment at least yearly. On the balance sheet date at 31 December 2012 there was no indication of impairment. See also Note 11.

Property, plant and equipment (PP&E) amounted to SEK 1,611m (1,318). The increase in the PP&E is for an amount of SEK 398m attributable to the merger between Cloetta and LEAF. The year's investments totalled SEK 240m (193), of which SEK 7m (13) referred to land and buildings and SEK 233m (180) to machinery and equipment. The year's investments in property, plant and equipment referred primarily to investments arising from the decision to close factories and move production to other factories in the Group. In addition, continuous efficiency-enhancing and replacement investments are made on the existing production lines. Depreciation amounted to SEK 152m (107).

Financial assets amounted to SEK 88m (261) and deferred tax assets amounted to SEK 473m (447).

Current assets amounted to SEK 2,034m, up by SEK 244m compared to the previous year mainly due to the merger between Cloetta and LEAF.

Assets held for sale consist of three factories (Zola Predosa in Italy, Alingsås in Sweden and Aura in Finland) which were available for sale at 31 December 2012.

EQUITY AND LIABILITIES

Equity in the Group rose during the year from SEK –385m to SEK 3,326m. On the balance sheet date, the share capital amounted to SEK 1,443m. The equity/assets ratio on the same date was 35.6% (–4.5).

Non-current liabilities, consisting mainly of loans to credit institutions, amounted to SEK 3,806m (7,079), which corresponds to a decrease of SEK 3,273m compared to the previous year. The decrease compared to previous year is mainly the result of the conversion of loans from former shareholders into equity on 15 February 2012 for an amount of SEK 3,441. Other non-current liabilities totalled SEK 1,290m (1,002), of which deferred tax liabilities accounted for SEK 824m (728).

Current liabilities are reported at SEK 2,208m (1,948), of which SEK 657m (490) referred to trade payables, SEK 747m (747) to borrowings and SEK 804m (711) to other current liabilities.

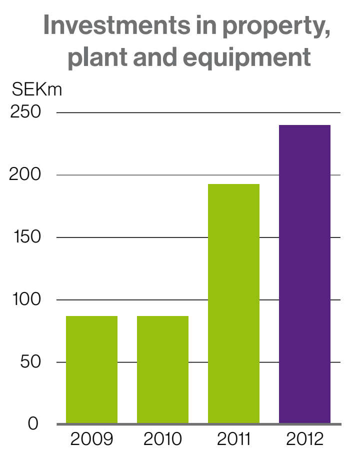
See Note 1 for complete disclosures on the impact of the merger between Cloetta and LEAF for the balance sheet items.

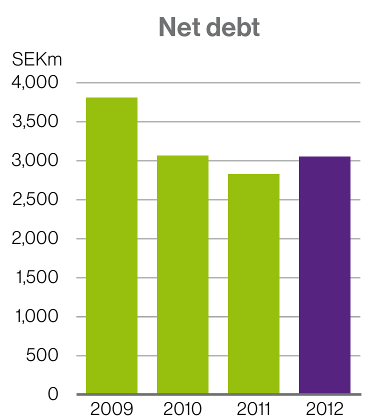
NET DEBT

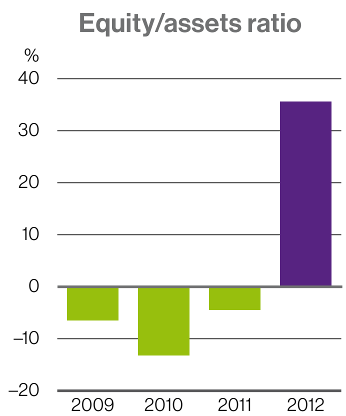
Interest bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 3,056m (2,827).

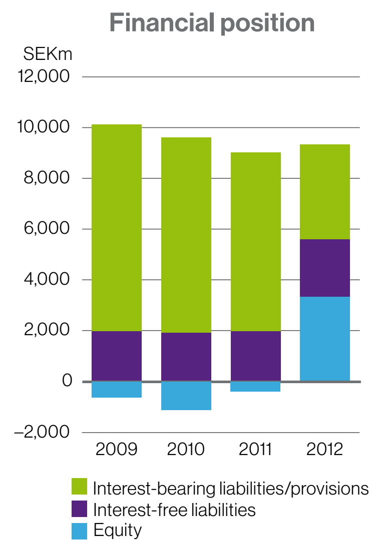
SEKm	31 Dec 2012	31 Dec 2011
Gross non-current borrowings	2,571	2,186*
Gross current borrowings	360	356
Credit overdraft facility	406	354
Derivative financial instruments (current and non-current)	24	–
Interest payable	1	28
Gross debt	**3,362**	**2,924**
Cash and cash equivalents	–306	–97
Net debt	**3,056**	**2,827**

* The shareholder loan is not included in the calculation of net debt.









Consolidated cash flow statement

SEKm	Note	2012	2011
Operating profit	2	**125**	**360**
Adjustments for non-cash items	27	260	165
Interest received		2	1
Interest paid		–192	–130
Expenses for derivative financial instruments		–12	–
Income tax paid		–27	–23
Cash flow from operating activities before changes in working capital		**156**	**373**
Cash flow from changes in working capital			
Change in inventories		–38	–78
Change in trade and other receivables		153	140
Change in trade and other payables		59	60
Funding of related parties for derivative financial instruments		–	–3
Cash flow from operating activities		**330**	**492**
Investing activities			
Acquisition of subsidiaries[1]		–1,231	–
Divestments of subsidiaries		47	–
Loans granted to related parties		–70	–112
Investments in property, plant and equipment	12	–240	–193
Investments in intangible assets	11	–29	–31
Disposals of property, plant and equipment	12	17	1
Cash flow from investing activities		**–1,506**	**–335**
Financing activities			
Repayment of borrowings		–371	–451
Proceeds from borrowings (net of financing cost)		727	171
New share issue		1,056	–
Cash flow from financing activities		**1,412**	**–280**
Cash flow for the year		**236**	**–123**
Cash and cash equivalents at beginning of year	17	**97**	**220**
Cash flow for the year		236	–123
Exchange difference		–27	0
Cash, cash equivalents and short-term investments < 3 months	17	**306**	**97**

1) Acquisition of subsidiaries consists of cash of SEK 1,500m paid for the acquired subsidiary less cash of SEK 269m in the acquired subsidiary.

Comments on the consolidated cash flow statement

OPERATING ACTIVITIES

Cash flow from operating activities before changes in working capital was SEK 156m (373). Cash flow from operating activities was SEK 330m (492), where the decrease compared to the previous year is explained mainly by the lower operating result partly offset by an increase in working capital.

INVESTING ACTIVITIES

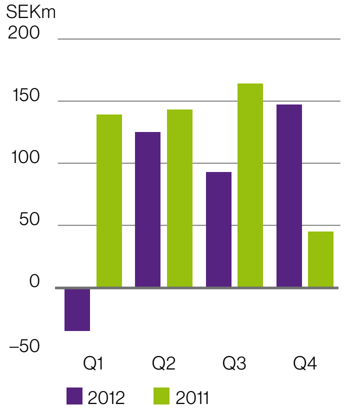
Cash flow from investing activities totalled SEK –1,506m (–335). The decrease compared to the previous year is mainly due to the payments on the vendor loan note of SEK 1,400m that is attributable to the acquisition of LEAF. Net cash of SEK 240m (193) was utilised for investments in property, plant and equipment.

FINANCING ACTIVITIES

Cash flow from financing activities amounted to SEK 1,412m (–280) and consisted mainly of net proceeds from the rights issue of SEK 1,056m and gross proceeds from borrowing related to the new facility agreement of SEK 750m partly offset by repayments of loans to credit institutions.

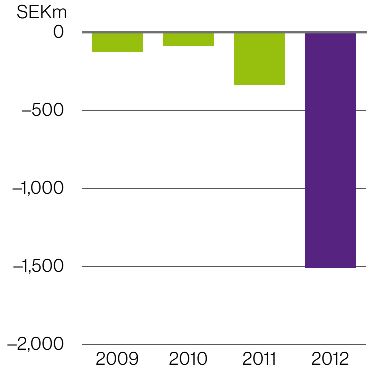
The net cash flow was SEK 236m (–123), which increased cash and cash equivalents to SEK 306m, compared to SEK 97m in the previous year.

Cash flow from operating activities[1]



1) The cash flow statements for Q1 and Q2 2012 have been restated after the final purchase price allocation.

Cash flow from investing activities



Consolidated statement of changes in equity

SEKm	Share capital	Other paid-in capital	Translation differences reserve	Retained earnings	Total equity
Balance at 1 January 2011	**121**	**677**	**–4**	**–1,911**	**–1,117**
Comprehensive income					
Profit for the year	–	–	–	–68	–68
Other comprehensive income	–	–	2	–	2
Currency translation difference	–	–	–	–23	–23
Total comprehensive income for 2011	**–**	**–**	**2**	**–91**	**–89**
Transactions with owners					
Capital contribution	–	928	–	–	928
Effect of conversion of convertible loans	1	–1	–	–	–
Group contribution given	–	–	–	–145	–145
Tax related to group contribution given	–	–	–	38	38
Total transactions with owners	**1**	**927**	**–**	**–107**	**821**
Balance at 31 December 2011	**122**	**1,604**	**–2**	**–2,109**	**–385**
Comprehensive income					
Profit for the year	–	–	–	–73	–73
Other comprehensive income	–	–	–68	–	–68
Currency translation difference	–	–	–	–70	–70
Total comprehensive income for 2012	**–**	**–**	**–68**	**–143**	**–211**
Transactions with owners					
Capital contribution	–	3,441	–	81	3,522
Rights issue	493	563	–	–	1,056
Conversion of convertible loan	2	9	–	–	11
Business combinations[1]	826	–1,493	–	–	–667
Total transactions with owners	**1,321**	**2,520**	**–**	**81**	**3,922**
Balance at 31 December 2012	**1,443**	**4,124**	**–70**	**–2,171**	**3,326**

1 The amount reported in business combinations in 2012 consists of:

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

See Note 19 for a further description of changes in equity.

Notes to the consolidated financial statements

NOTE 1 General information and accounting and valuation policies of the Group

GENERAL INFORMATION

Cloetta AB, corporate identification number 556308-8144, is a Swedish-registered limited liability company domiciled in Linköping, Sweden. The company's Head office is in Stockholm with address Kista Science Tower, SE-164 51 Kista, Sweden. The consolidated financial statements for the financial year from 1 January 2012 to 31 December 2012 include the accounts of the Parent Company and its subsidiaries, together forming the Group.

The annual report and consolidated financial statements were approved for publication by the Board of Directors on 7 March 2013. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the Annual General Meeting on 11 April 2013 for adoption.

FINANCIAL YEAR

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

These financial statements include the consolidated financial information for the new Cloetta Group covering the period from 1 January to 31 December 2012. Since Cloetta's acquisition of LEAF is accounted for as a reverse acquisition, the consolidated comparable figures are those from Leaf Holland B.V. The comparative figures for the Parent Company are those from the legal acquirer, Cloetta AB. The reporting period for the Parent Company included in this annual report is 1 September 2011 to 31 December 2012 in accordance with the Parent Company's financial year. The comparative figures of the Parent Company cover the period from 1 September 2010 to 30 August 2011. As a result, the amounts presented in the Parent Company financial statements are not entirely comparable.

Compared to the 2011 financial statements of the Group, the presentation of the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and all other notes has been changed to align with the 2011 figures of the former LEAF group.

DISCLOSURES REGARDING THE ACQUISITION OF CLOETTA AB

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

The business combination is expected to result in:

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

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

Cloetta's acquisition of Leaf Holland B.V. has been accounted for as a reverse acquisition, meaning that Leaf Holland B.V. is considered to be the acquirer for group accounting purposes.

The formal acquisition of Leaf Holland B.V. by Cloetta AB was carried out partly through a cash payment of SEK 100m and partly through an interest-bearing vendor loan note of SEK 1,400m, as well as an issue in kind of 165,186,924 Cloetta class C shares with a fair market value of SEK 2,556m, i.e. the total fair value of the total consideration transferred amounted to SEK 4,056m. The fair market value of Cloetta's class C shares was determined based on the Cloetta share's bid price (SEK 34.20) at the time of the acquisition. Immediately following the issue in kind of C shares, Yllop Holding S.A. held approximately 87.2% of the voting rights and approximately 78.4% of the share capital in Cloetta AB.

Cloetta's acquisition-date fair value of SEK 833m is deemed to comprise the consideration transferred. This fair value has been calculated based on 24,355,641 shares outstanding multiplied by the bid price of SEK 34.20 at the time of the acquisition. In addition, Yllop Holding S.A., agreed to indemnify Cloetta for tax-related claims that might be brought against Cloetta in respect to the proceedings in Italy for the years 2005–2007. This indemnity is limited to an amount of SEK 81m and covers part of the tax claim. An indemnification asset has been recognised directly against equity. For further information, see Note 33.

The Group's purchase price allocation for Cloetta as the acquiree for accounting purposes was finalised in the third quarter of 2012. The remeasurements have had no impact on the consolidated profit and loss account.

The table below shows the recognition and measurement of assets acquired and liabilities assumed related to the accounting acquiree, the former Cloetta.

SEKm	
Non-current assets	***777***
Intangible assets	365
Tangible assets	397
Financial assets	15
Current assets	***539***
Inventories	121
Current receivables	149
Cash and cash equivalents	269
Non-current liabilities	***–318***
Deferred tax liabilities	–170
Provisions for pensions	–125
Convertible loan	–23
Current liabilities	***–214***
Other current liabilities	–214
Net identifiable assets and liabilities assumed	***784***
Goodwill	49
Consideration transferred	**833**
Cash paid for business combination	–1,500
Effect of business combination on equity	**–667**

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SEKm	
Cash paid for business combination	–1,500
Cash in business combination	269
Acquisition of subsidiaries	**–1,231**

Goodwill is mainly explained by the synergies expected from the combination of Cloetta and LEAF. The goodwill of SEK 49m is not expected to be deductible for tax purposes. The most important remeasurements are related to trademarks that have been recognised at their fair market value amounting to SEK 348m (SEK 50m in former Cloetta) and provisions for pensions excluding special payroll taxes amounting to SEK 125m (81) valued in accordance with IAS 19 revised, Employee Benefits.

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

For the period from the acquisition date until the end of December 2012, Cloetta contributed net sales of SEK 701m and a net loss of SEK –27m. If the acquisition had taken place on 1 January 2012, management estimates that consolidated net sales would have been SEK 840m and the consolidated net loss would have been SEK –41m, excluding transaction costs of SEK 31m.

DIVESTMENTS

The table below shows the derecognition of assets and liabilities related to the divestments of Leaf Belgium Distribution N.V. and Leaf Danmark Ejendomsselskab ApS.

SEKm	
Non-current assets	**–42**
Property, plant and equipment	–19
Deferred tax assets	–23
Current assets	**–55**
Inventories	–15
Current receivables	–32
Assets held for sale	–27
Cash and cash equivalents	–8
Non-current liabilities	**8**
Deferred tax liabilities	8
Current liabilities	**45**
Other current liabilities	45
Net identifiable assets and liabilities assumed	**–44**
Divestment of subsidiaries	47
Capital gain	**3**

COMPLIANCE WITH LEGISLATION AND ACCOUNTING STANDARDS

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, with some supplementary requirements in the Annual Accounts Act. The applied standards and interpretations are those that were in force and had been endorsed by the EU, at 1 January 2012. IAS 19, Employee Benefits, was revised in June 2011. The Group has early adopted IAS 19 revised, Employee Benefits, with retrospective effect as of 1 January 2011. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The annual report of the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The Parent Company applies the same accounting standards as the Group except for those specified below in Note P1, Accounting and valuation policies of the Parent Company.

ACTIVITIES

The activities of the Group consist mainly of:

- sales, marketing and production of branded sugar and chocolate confectionery products;
- trading of sugar and chocolate confectionery products.

The countries of the European Union and Norway form the most important markets.

BASIS OF PRESENTATION

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are stated at fair value according to the accounting policies described below.

Unless otherwise stated, all amounts are rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires management to use certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these estimates and assumptions are used to make judgements about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are reported in the period of the change, if the change affects that period only. Changes in estimates are reported in the period of the change and future periods, if the change affects both.

Note 33 provides a description of judgements made by the company's management in the application of IFRS that have a significant impact on the financial statements, and estimates that can lead to significant adjustments in the financial statements of later years.

The fair value of the financial assets, (loans and receivables) and liabilities measured at amortised cost is approximately equal to its carrying amount.

Unless otherwise stated below, the following accounting standards for the Group have been consistently applied in periods presented in the consolidated financial statements. The accounting standards for the Group have been consistently applied in reporting and consolidation of the Parent Company and the subsidiaries.

CHANGED ACCOUNTING STANDARDS

The new standards and amendments to existing standards which have been published and could be applicable and therefore mandatory for the Group's accounting periods beginning on or after 1 January 2013 have been evaluated and will not have any impact on the group's basis of consolidation and disclosure requirements, except the following set out below:

- Amendment to IAS 1, Presentation of Financial Statements, regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not intend to adopt these standards early.

IFRS 9, Financial Instruments (2010), and IFRS 9, Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted.

IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be accounted for according to the equity method.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests. These standards are effective for annual periods beginning on or after 1 January 2013.

IFRS 13, Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

CHANGES IN ACCOUNTING POLICIES

IAS 19, Employee Benefits, was revised in June 2011. The Group has early adopted IAS 19 revised, Employee Benefits, with retrospective effect as of 1 January 2011. This resulted in the Group changing its accounting policy for pensions and other long-term service awards. The main effect is that under the revised IAS 19, actuarial gains and losses arising from changes in actuarial assumptions exceeding 10% of the higher of pension benefit obligations and the fair value of plan assets at the opening of the financial year were credited or charged to the income statement over the expected average future years of service of the employees concerned. Under IAS 19 revised as adopted by the company, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

As a result of the change, the Group now determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period. It takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. The net interest on the net defined benefit liability (asset) consists of:

- interest cost on the defined benefit obligation; and
- interest income on plan assets.

Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

The effects of changes in accounting policies on the profit and loss account, equity and the defined benefit obligation of the Group at 1 January 2011 and 31 December 2011 are summarised below.

Key impact on financial information

The consolidated profit and loss account has changed due to the early adoption of IAS 19 as follows:

SEKm	2011
Increase/(decrease) in:	
Operating profit	–4
Net financial items	1
Income tax expense	–
Profit for the year	**–3**

The consolidated statement of changes in equity has changed due to the early adoption of IAS 19 as follows:

SEKm	31 Dec 2011
Increase/(decrease) in:	
Share capital	–
Other paid-in capital	–
Retained earnings incl. profit for the year	–19
Total equity	**–19**

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The effect of the early adoption of IAS 19R on the opening equity balance at 1 January 2011 amounts to SEK 7m.

The defined benefit obligation has changed due to the early adoption of IAS 19 as follows:

SEKm	31 Dec 2011
Increase/(decrease) in:	
Adjustment of opening balance	–9
Remeasurements recognised in other comprehensive income	31
P&L charge	3
Exchange rate differences	0
Total defined benefit obligation	**25**

The impact on deferred taxes in the opening balance at 1 January 2011 amounts to SEK 2m. The impact on deferred taxes at 31 December 2011 was SEK –6m.

During 2011, other comprehensive income changed by SEK –22m. The change consists of remeasurement of the defined benefit pension plans of SEK –31m, income tax on remeasurement of the defined benefit pension plans of SEK 8m and currency translation differences of SEK 1m.

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 (being Finland, Scandinavia, Middle and South) have been identified as the Group's operating segments. The vast majority of sales take place in 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 location. Because the Group has only sales in sugar confectionery, chocolate products, gums and pastilles, the Group's markets and type 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 similarities between the different regions, for financial reporting purposes the operating segments have been aggregated into one reportable segment. For information about the Group's sales and earnings development and financial position, see the consolidated profit and loss accounts, balance sheets and cash flow statements.

CLASSIFICATION

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or settled more than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within 12 months from the balance sheet date.

BASIS OF CONSOLIDATION

Group Structure

The company was founded in 1862. On 16 December 2011 a merger was announced between Cloetta and the confectionary company LEAF. On 16 February 2012, Cloetta AB acquired Leaf Holland B.V. from Yllop Holding S.A. (formerly named Leaf Holding S.A.). The acquisition was carried out partly through a cash payment (SEK 100m) and partly through the issue of a vendor loan note (SEK 1,400m), which was fully repaid in May 2012, as well as an issue in kind of Cloetta shares (SEK 2,556m). The acquisition has been accounted for as a reverse acquisition for consolidation purposes, where Leaf Holland B.V. is the accounting acquirer and Cloetta AB is the legal acquirer. The acquisition was completed on 16 February 2012.

On 22 February 2012, Cloetta announced the sale of its distribution business in Belgium to Katjes International GmbH & Co. KG in Germany. The transaction was part of Cloetta's strategy to focus on its core brands. In 2011, the distribution organisation in Belgium had approximately 50 employees and sales of approximately SEK 200m, of which approximately SEK 40m refers to Cloetta-owned brands. The transaction will have a limited effect on Cloetta's future operating profit, and the purchase price was insignificant compared to the market value of Cloetta.

On 31 May 2012, Leaf Danmark Ejendomsselskab ApS was sold to LH Holding Slagelse ApS through a transfer of shares. Leaf Danmark Ejendomsselskab ApS owns the production unit in Slagelse, Denmark, that was closed during 2011 and conducts no operating or commercial activities. The divestment will have no effect on Cloetta's future earnings. The transaction generated a non-cash capital loss of SEK 4m.

On 15 May 2012 and 15 June 2012, decisions were made to close the factories in Alingsås, Sweden, Aura, Finland and in Gävle, Sweden. A decision was also made to rationalise warehousing operations in Scandinavia. The transfer of production to other factories in the Cloetta Group has been started in 2012 and is expected to be completed in 2014. The factory in Alingsås was closed during 2012.

As a result of the merger, the sales organisations of Cloetta Sverige AB (formerly known as Leaf Sverige AB) and Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB) have been integrated into one.

Subsidiaries

Group companies are all entities in which Cloetta AB has a controlling influence. Control is achieved when the company directly or indirectly has the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights, so as to obtain benefits from its activities. In assessing whether a controlling influence exists, potential voting equity interests that can be immediately exercised or converted are taken into account. Group companies are fully consolidated from the date on which control is transferred to Cloetta AB. They are de-consolidated from the date that control ceases. As Cloetta AB holds all shares in its group companies; there are no minority interests.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or in other comprehensive income (only if it is an asset which is classified as available for sale). Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Note P13 provides an overview of all subsidiaries consolidated in the consolidated financial statements of Cloetta AB.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial information of each of our entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of foreign entities is generally the local currency. The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company.

The consolidated financial statements for the years 2011 and 2012 are presented in SEK. The functional currency of the majority of the subsidiaries is euros (EUR). The 2011 consolidated financial statements have been translated from euros into Swedish kronor. The assets and liabilities are translated at the closing rate at the date of the financial statements. Income and expenses are translated at the average exchange rate for the year.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses that relates to borrowings and cash and cash equivalents are presented in the profit and loss account within "Exchange differences on borrowings and cash and cash equivalents in foreign currencies". All other foreign exchange gains and losses are presented in the profit and loss account within operating profit.

Translation differences related to intragroup long-term loans that effectively constitute an increase or decrease in net investments in foreign operations are directly recognised in equity as a component of the reserves for translation differences insofar that such loans effectively hedge the exchange rate exposure on that net investment. These translation differences are not eliminated on consolidation.

Financial statements of foreign operations

The profit and loss accounts and balance sheets of all group companies (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold, unrealised exchange differences deferred in currency translation adjustments after 1 January 2006 (first time adoption of IFRS) are recycled in the profit and loss account as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities in the functional currency of the attributable foreign entity and translated at the closing rate.

RECOGNITION OF REVENUE AND EXPENSES

Net sales

Net sales are designated as income from the supply of goods, less discounts and similar, excluding sales taxes and after elimination of intragroup sales. Net sales also include royalty income.

Net sales are recognised as follows:

- Sales of goods are recognised when a group entity has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and the collectibility of the related receivables is reasonably assured.
- To a limited extent and applicable to retail channels only, seasonal products in Italy are sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Cost of goods sold

Cost of goods sold represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the production of confectionary products.

Selling expenses

Selling expenses comprise the cost of brand support through direct and indirect advertising, promotional activities, the cost of supporting sales and marketing efforts and amortisation of related intangible assets. The company promotes its products through advertising, consumer incentives and trade promotions. Such programs include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. Advertising costs are expensed as incurred. Consumer incentive and trade promotion activities are recorded as a reduction of net sales based on amounts estimated as being due to customers and consumers at the end of a period, based principally on historical utilisation and redemption rates.

General and administrative expenses

General and administrative expenses include the costs of general management, human resources, finance and administration, information technology, and other back office services as well as amortisation of related intangible assets.

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Employee remuneration

Regular payments

Salaries, wages and social security costs are charged to the profit and loss account over the period when the related services are rendered and in accordance with employment contracts and obligations.

Termination benefits

A provision is recognised on the termination of employees as a result of either an entity's decision to terminate employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Bonus schemes, deferred bonus plan

The deferred bonus amount is recognised as an expense in the year when the bonus is granted, including the estimated multiplier effect. Any subsequent changes in the estimated fair value of the investments in the deferred bonus scheme are recorded in the profit and loss account. As part of the merger, the deferred bonus scheme was fully settled in 2012.

Government grants

Government grants and subsidies are recorded at fair value as income in the profit and loss account in the period in which the related costs are recorded, income is received, or subsidised deficits are recorded. Grants and subsidies are recognised as income when there is reasonable assurance that all the conditions will be satisfied and it is probable that these will be received.

Subsidies and grants related to investments in property, plant and equipment and are deducted from the related asset and are reflected in the profit and loss account as part of the depreciation charge.

Tax

The tax expense for the period comprises current and deferred tax and is recognised in the profit and loss account. As a result of the early adoption of IAS 19R, income tax effects on remeasurement of defined benefit pension plans are recognised in other comprehensive income.

Corporate income tax is calculated on profit before tax in the profit and loss account, taking into account non-deductible expenses, non-taxable profit and losses and/or temporary differences arising from applicable substantially enacted local tax law and other items that effect the tax charge (e.g. changes in valuation allowances, adjustments in tax positions and tax law changes, such as tax rate changes).

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted on the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable profits. Cloetta periodically evaluates positions taken in tax returns with respect to situations where the applicable tax rules are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the respective tax authorities.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are resolved on by the company's shareholders.

Non-recurring items

Non-recurring items are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence to enable a full understanding of the Group's financial performance. The non-recurring items are recognised in net sales, other income, cost of goods sold, selling expenses and general and administrative expenses, depending on the nature of the items.

PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES

General

If not specifically stated otherwise, assets and liabilities are initially recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

Intangible assets

Research and development expenses

Expenses for research are recognised in the profit and loss account as incurred. Expenses incurred on development projects are recognised as intangible assets when it is probable that a project will generate economic benefits in the future, in view of its commercial and technological feasibility, and the costs can be measured reliably.

Trademarks

Acquired trademarks are measured at historical cost. In view of the history of Cloetta's trademark portfolio, combined with Cloetta's commitment to continue supporting these trademarks with advertising and promotion resources and continuous product development, the useful lives of Cloetta's trademarks are considered to be indefinite in nature.

Trademarks with indefinite useful lives are not amortised, but are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Computer software

Where computer software is not an integral part or a related item of computer hardware and not integral to the operation of an item of property, plant and equipment, the software is treated as a separate intangible asset.

Acquired software licenses are capitalised at historical cost and amortised over their estimated useful lives of 3 to 5 years.

Capitalised costs for internally used software include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortised over their expected useful life on a straight-line basis, with the useful lives reviewed annually.

Software under construction is not amortised until the software is substantially complete and ready for its intended use. Software under construction is subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Expenditure in connection with maintenance of computer software and expenses related to research activities are recognised in the profit and loss account.

Right of free electricity

The indefinite right of free electricity acquired is capitalised at acquisition cost. In view of the indefinite nature of the right, the right is not amortised, but is subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Distribution contracts

Acquired distribution contracts are capitalised at historical cost and amortised based on their useful lives, with a maximum contract duration of 5 years.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets and liabilities assumed by the acquiree and the fair value of any non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the group level.

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For determining whether an impairment charge in respect of an intangible asset applies, see Note 11.

Property, plant and equipment

Items of property, plant and equipment are valued at historical cost less depreciation and impairment. Historical cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs (including interest expenses). Depreciation is accounted for using the straight-line method on the basis of the estimated useful life. Government grants are deducted from the historical cost or the construction costs of the assets to which they relate.

Other assets are depreciated on a straight-line basis over their estimated useful lives down to their estimated residual values, as follows:

Buildings	20–50 years
Machinery and equipment	3–40 years
PP&E under construction	n/a

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount and are recognised in other operating income in the profit and loss account.

Subsequent expenditure is included in the carrying amount of an asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account for the financial period in which they are incurred.

Non-current financial assets

The Group initially recognises loans and receivables on their date of origin. All other financial loans and receivables (including assets measured at fair value through profit or loss) are initially recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

Loans, receivables, prepayments on registration fees and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in "current assets", except for those with maturities later than 12 months after the balance sheet date, which are classified as "non-current assets". Loans, receivables and prepayments on registration fees are measured at amortised cost using the effective interest method.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset are realised, expire, or the company has relinquished the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Impairment of non-current assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also tests whether there are indications of impairment of assets that are subject to amortisation or depreciation. If there are such indications, an impairment test is performed. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its book value is higher than its recoverable value, where the recoverable value is the higher of an asset's fair value less costs to sell and its value in use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). Impairment costs are recognised immediately as an expense in the profit and loss account.

Non-financial assets other than goodwill that are subject to an impairment loss are reviewed for possible reversal of the impairment at each reporting date. If it is established that a previously recognised impairment no longer applies or has decreased, the increased carrying amount of the asset in question is not set higher than what the carrying amount would have been if the impairment had not been recognised.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not meet the requirements for hedge accounting and, as a result, all gains or losses relating to these financial instruments are recognised in the profit and loss account.

The fair value of a derivative is classified as a non-current asset or liability for the part which exceeds the 12 months, and as a current asset or liability for the part that will expire within 12 months.

Changes in the fair value of derivatives are recognised immediately in the profit and loss account in other financial income/expense.

Inventories

Raw materials are valued at the lower of cost or net realisable value. Cost is determined using the FIFO method (first in, first out).

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Cost in respect of work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing overhead costs based on normal operating capacity and variable manufacturing overhead costs based on actual production during the period.

Net realisable value represents the estimated selling price in the ordinary course of business less directly attributable, applicable variable selling expenses and less costs of completion of inventory.

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Receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within selling expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents represent cash in hand and cash at banks. Current account overdrafts at banks are included under borrowings under the heading current liabilities.

Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Assets are classified as held for sale when they are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets, and the sale is considered highly probable. Assets held for sale are no longer amortised or depreciated from the time they are classified as such. Assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Operations that represent a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale and either has been disposed of or has been classified as held for sale, is presented as discontinued operations in the profit and loss account.

Equity

Ordinary shares are classified as share capital. Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, when it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

If the expenditure to settle an obligation is expected to be recovered from a third party, the recovery is carried as an asset in the balance sheet if it is virtually certain to be received upon settlement of the obligation.

Employee benefits

Group companies use various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group then has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds for all countries in the Eurozone. For the Swedish plans, the discount rate is based on mortgage bonds. These bonds are regarded as corporate bonds. For the Norwegian pension plans, the market yield on government bonds is used.

Remeasurements arising from defined benefit plans also include the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises these immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss. The Group recognises the interest on defined benefit obligations in net financial items in the profit and loss account.

Since certain pension funds are not able to supply the Group with company-specific or reliable information, Cloetta has accounted for the defined benefit schemes in industry sector pension funds as though they were defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as personnel costs. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available to the Group.

Jubilee arrangements

For jubilee provisions, the expected costs of these benefits are accrued over the period of employment using the same accounting methodology as for defined benefit pension plans. Remeasurements of these defined benefit pension plans are based on changes in actuarial assumptions and are charged or credited to the profit and loss account in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for special compensation. A provision is recognised on the termination of employees as a result of either an entity's decision to terminate employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based payment

Before the merger with Cloetta AB (Publ), the former LEAF group operated a share-based payment scheme for eligible employees of the former LEAF group. Management in the ultimate parent company Yllop Holding S.A. (formerly known as Leaf Holding SA) participated through indirect ownership via the "Stichting Administratiekantoor LEAF Employees" and "Stichting Administratiekantoor LEAF Management" (the "Foundation") or via direct ownership in the underlying shares. This arrangement is recognised as an equity-settled share-based payment in accordance with IFRS 2, Share-Based Payment. This means that former LEAF determined the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction. When applicable, the amount was recognised immediately as an expense for the services received with a corresponding increase in equity. On each grant date, the former LEAF group has analysed whether the price paid by the management was in line with the market price of the underlying depository receipts. Based on the estimated fair value of the shares in Yllop Holding S.A. (formerly known as LEAF Holding SA), the purchase prices have in all cases been equal to the estimated fair value of the shares. Consequently, no expenses related to share-based payment are reported. As part of the merger, the share-based payment scheme at the level of Yllop Holding S.A. was fully settled in 2012.

In connection with the merger of Leaf Holland B.V. and Cloetta AB, the major shareholders in Cloetta AB offered selected key members of the new group management of the Cloetta Group the opportunity to purchase call options in Cloetta AB. No costs related to share-based payment are recognised, since the company has no obligation to settle the transaction and the options have been acquired at fair market value.

For equity-settled share-based payment arrangements, the fair value of an award is measured at the grant date and, if applicable, the fair value is recognised as an expense over the vesting period with a corresponding increase recognised in equity.

Tax

Current tax refers to the tax payable or receivable with respect to the year's profit or loss. This also includes adjustments in current tax for prior periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amount of an asset or liability and its tax base. The measurement of deferred tax reflects the manner in which the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is computed with the application of the tax rates/laws that have been enacted or substantively enacted by the balance sheet date. Temporary differences are not recognised in consolidated goodwill, nor in temporary differences attributable to participations in subsidiaries and associated companies where the Group can control the date for recovery of these and it is probable that these will not be recovered in the foreseeable future. Deferred tax assets for deductible temporary differences and unused tax loss carryforwards are recognised to the extent that it is probable that these can be utilised. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilised.

Deferred taxes are not discounted.

Borrowings

Borrowings are initially recognised at fair value, being the amount received taking into account any premium or discount, and less transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs paid on the establishment of loan facilities are recognised as transaction costs for the loan to the extent that it is probable that some or all of the facility will be drawn down. In such case, the borrowing costs are recognised when the draw-down occurs. If it is probable that some or all of the facility will be drawn down, the borrowing costs are reported as deferred expense and netted against current borrowings over the contract period the credit relates to.

Borrowings are classified as "current liabilities" unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date ("non-current liabilities").

When borrowings from a shareholder are extinguished for a consideration other than fair value, the difference between the consideration and the carrying amount of the borrowing is accounted for as an equity contribution.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, for which borrowing costs are included in historical cost, is deducted from the borrowing costs that are eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Leases

Finance leases

Leases of assets for which substantially all the risks and rewards of ownership have been transferred to the Group are classified as finance leases. When the lease contract is entered into, the assets are capitalised in the balance sheet at their fair value, or the present value of the minimum lease payments, if lower. The lease amounts payable are split on an annuity basis between a redemption and interest component, based on a fixed interest rate. The related lease obligations, excluding the interest element, are recognised under interest-bearing borrowings. The interest component is recognised in the profit and loss account. The related assets are depreciated over the remaining economic life or, if shorter, the term of the lease.

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Operating leases

Lease contracts for which a significant part of the risks and rewards incidental to ownership of the assets does not lie with the Group are recognised as operating leases. Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the contract, taking into account reimbursements received from the lessor.

NOTE 2 Breakdown of operating income

SEKm	2012	2011
Net sales		
Sale of goods:		
Sugar confectionary	2,381	2,411
Chocolate confectionary	875	290
Pastilles	826	854
Chewing gum	389	477
Other	388	626
Service contracts	–	–
Other operating income		
Other	13	1
Total net revenue	**4,872**	**4,659**

The breakdown of net sales by country is as follows:

%	2012	2011
Sweden	32	18
Finland	18	19
Italy	15	21
The Netherlands	13	14
Norway	6	6
Denmark	4	5
Other countries	12	17
Total net sales	**100**	**100**

No individual customer accounts for more than 10% of Cloetta's total net sales.

NOTE 3 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

SEKm	2012	2011
Software	13	8
Other intangibles	1	8
Land and buildings	18	16
Machinery and equipment	134	91
Total amortisation/depreciation	**166**	**123**
Amortisation/depreciation has been allocated by function as follows		
Cost of goods sold	143	105
Selling expenses	3	8
General and administrative expenses	20	10
Total amortisation/depreciation	**166**	**123**
Impairment		
Intangible assets	–	2
Property, plant and equipment	69	77
Total impairment	**69**	**79**

The impairment losses on intangible assets have been charged to general and administrative expenses. The impairment losses on property, plant and equipment have been charged to cost of goods sold.

NOTE 4 Operating expenses by cost type

SEKm	2012	2011
Raw materials and consumables used including change in inventory of finished goods and work in progress	1,914	1,767
Personnel expenses (See Note 5)	1,293	1,082
Depreciation, amortisation and impairment charges (See Note 3)	235	202
Transportation expenses	159	153
Operating lease payments	25	67
Advertising and promotion	379	420
Selling and marketing	63	74
Other operating expenses	679	530
Total operating expenses	**4,747**	**4,295**

The costs charged to profit for 2012 relating to research and development amount to SEK 30m (31).

NOTE 5 Personnel expenses and number of employees

The personnel expenses are specified as follows:

SEKm	2012	2011
Salaries and remuneration		
Senior management		
– Sweden	30	19
– Other	13	15
Of which, bonuses		
– Sweden	15	6
– Other	4	2
Other employees		
– Sweden	236	102
– Other	595	666
Total salaries and remuneration	**874**	**802**
Pension costs		
Senior management		
– Defined contribution plans	6	5
– Defined benefit plans	–	–
Total pension costs, senior executives	**6**	**5**
Other employees		
– Defined contribution plans	53	41
– Defined benefit plans	10	4
Total pension costs, other employees	**63**	**45**
Total defined contribution plans	59	46
Total defined benefit plans	10	4
Total pension costs	**69**	**50**
Other social security expenses, all	238	187
Total pensions and other social security expenses	**307**	**237**
Other personnel costs, all	112	43
Total personnel expenses	**1,293**	**1,082**

The average number of employees is as follows:

	2012	2011
Average number of employees		
– Senior management	11	9
– Other employees	2,568	2,183
Of whom, women		
– Senior management	1	1
– Other employees	1,294	1,027

The average numbers of employees by country is as follows:

	2012	2011
Average number of employees		
Sweden	699	349
Slovakia	623	477
Italy	467	469
The Netherlands	342	312
Finland	238	254
Belgium	106	149
Norway	54	56
Denmark	33	110
Germany	7	9
UK	5	4
Other	5	3
Total	**2,579**	**2,192**
of whom, women		
Sweden	334	123
Slovakia	442	325
Italy	188	189
The Netherlands	88	82
Finland	174	187
Belgium	21	45
Norway	22	21
Denmark	14	46
Germany	4	4
UK	3	3
Other	5	3
Total	**1,295**	**1,028**

The specification of gender distribution in company management is as follows:

%	2012	2011
Percentage of women		
Board of Directors	27	13
Senior executives	9	11
Other employees	50	47

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NOTE 6 Remuneration to senior executives

Remuneration and benefits in 2012 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligation
Board Chairman							
Lennart Bylock[2]	400	–	–	–	120	520	–
Robert-Jan van Ogtrop[1]	204	–	–	–	–	204	–
Board members							
Hans Eckerström	200	–	–	–	200	400	–
Mikael Svenfelt[2]	200	–	–	–	120	320	–
Peter Törnquist[2]	200	–	–	–	160	360	–
Olof Svenfelt[2]	200	–	–	–	80	280	–
Meg Tivéus[2]	200	–	–	–	80	280	–
Robert-Jan van Ogtrop[2]	200	–	–	–	40	240	–
Håkan Kirstein[2]	200	–	–	–	–	200	–
Adriaan Nühn	200	–	–	–	–	200	–
Lena Grönedal[2]	18	–	–	–	–	18	–
Birgitta Junland[2]	18	–	–	–	–	18	–
Linus Ekegren[2]	18	–	–	–	–	18	–
Birgitta Hillman[2]	18	–	–	–	–	18	–
Stef Oostvogels[1]	–	–	–	–	–	–	–
Ove Anonsen[1]	–	–	–	–	–	–	–
Jan Reinier Voute[1]	–	–	–	–	–	–	–
Wilhelmina von-Alwyn Steennis[1]	–	–	–	–	–	–	–
President							
Bengt Baron	4,690	6,293	80	1,448	–	12,511	744
Other senior executives (10 persons)	19,785	12,173	250	5,644	561	38,413	569
Total	**26,751**	**18,466**	**330**	**7,092**	**1,361**	**54,000**	**1,313**

Remuneration and benefits in 2011 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligation
Board Chairman							
Robert-Jan van Ogtrop	1,692	–	–	–	–	1,692	–
Board members							
Hans Eckerström	–	–	–	–	–	–	–
Ove Anonsen	338	–	–	–	–	338	–
Robert Andreen	–	–	–	–	–	–	–
Adriaan Nühn	338	–	–	–	–	338	–
Jan Reinier Voute	–	–	–	–	–	–	–
Noella Antoine[3]	–	–	–	–	–	–	–
Stef Oostvogels	13	–	–	–	–	13	–
Wilhelmina von-Alwyn Steennis[3]	–	–	–	–	–	–	–
President							
Bengt Baron	3,923	2,578	–	1,462	–	7,963	744
Other senior executives (10 persons)	18,443	6,302	–	5,346	3,139	33,230	569
Total	**24,747**	**8,880**	**–**	**6,808**	**3,139**	**43,574**	**1,313**

1) Included until the date of the merger on 16 February 2012 when the new Board was elected.
2) Included as from the date of the merger on 16 February 2012 when the new Board was elected.
3) Mrs. Wilhelmina von-Alwyn Steennis replaced Noella Antoine on 21 October 2011 as Board Member.

Comments on the table

- The figures in the table and text refer to the most recently adopted guidelines for remuneration to the Board and senior executives decided at the Extraordinary General Meeting (EGM) on 15 February 2012.
- Other benefits refer mainly to company car benefits.
- Other remuneration refers to compensation for work on the audit and remuneration committees.

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Board of Directors

Remuneration to the Board of Directors is determined by decision of the Annual General Meeting (AGM). The EGM on 15 February 2012 resolved that remuneration for the period until the next AGM to each of the members of the Board elected by the general meeting shall be paid in an amount of SEK 250,000 and remuneration to the Board Chairman shall be paid in an amount of SEK 500,000. Furthermore, remuneration for committee work shall be paid in an amount of SEK 100,000 to each member of the audit committee (the number of members in the audit committee may not exceed four) and in an amount of SEK 50,000 to each member of the remuneration committee (the number of members in the remuneration committee may not exceed four). In addition, remuneration shall be paid in an amount of SEK 100,000 to each member of the integration committee, which has been formed specifically for the integration between Cloetta and former LEAF and shall be of a temporary nature (the number of members in the integration committee may not exceed four). Aside from board fees, the Board is entitled to compensation for travel and accommodation.

Guidelines for remuneration to senior executives

The current guidelines for remuneration to senior executives were adopted at the EGM of Cloetta on 15 February 2012 in connection with Cloetta's merger with LEAF.

Remuneration to the President and the other members of the Group Management Team and other executives reporting directly to the President shall consist of fixed salary, variable salary, other benefits and pension. To the extent considered appropriate by the Board of Directors, the executives in question shall be offered the opportunity to participate in long-term share-related incentive schemes, which shall be decided by the general meeting. Any variable salary should be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The company shall strive to have defined contribution pension plans. The retirement age shall be not less than 60 years and not more than 67 years.

These guidelines apply to agreements entered into after the EGM in 2012 and to any changes made to existing agreements thereafter. The Board of Directors may deviate from these guidelines only in individual cases where there is special reason to do so.

President

During the year, the President Bengt Baron received salary of SEK 4,690,488, variable salary of SEK 6,292,990 and other benefits of SEK 80,329. The variable salary consists of a bonus that was decided and paid out in the former LEAF Group before the merger date on 16 February 2012.

The structure of the variable salary for Bengt Baron has been set so that an annual variable salary equal to a maximum 100% of fixed annual salary is payable on the attainment of extraordinary performance targets. The variable salary paid in 2012 is based on extraordinary work in connection with the merger between Cloetta and LEAF.

The retirement age is 65 years. Pension benefits consist of a defined contribution plan for which annual premiums up to the age of retirement are paid in an amount equivalent to 30% of pensionable salary, comprising fixed monthly salary. Variable salary and benefits are not pensionable. Total pension costs for 2012 amount to SEK 1,448,386.

The term of notice for the President and CEO is 6 months. In the event of dismissal by the company, the term of notice is 12 months. The President and CEO is also entitled to termination benefits corresponding to one year's salary and corresponding pension provisions.

Other senior executives

During the year, the other members of the Group Management Team (10 individuals) received total salaries of SEK 19,785.259, variable salaries of SEK 12,172,795 and other benefits of SEK 249,553. The variable salary that was paid in 2012 was based among other things on extraordinary work in connection with the merger between Cloetta and LEAF.

The structure of variable salary to the Group Management Team has been set so that an annual variable salary of between 60% and 100% of fixed annual salary is payable on the attainment of extraordinary performance targets.

Pension benefits vary depending on the agreements and practices in the country where the person is employed, but in almost all cases they consist of defined contribution plans for which annual premiums are paid as part of the pensionable salary up to the age of retirement. In almost all cases, variable salary and benefits are not pensionable. Total pension costs for 2012 amount to SEK 5,643,820.

The terms of notice for the members of the Group Management Team are to six months on the part of the employee and vary between 12 and 18 months on the part of the company.

Incentive scheme

Cloetta's principal shareholders, AB Malfors Promotor, Nordic Capital and CVC (through holding companies), have issued call options that members of the Group Management Team and certain other key employees have acquired on market terms.

The call options have been granted by the principal shareholders in order to promote commitment to the company's development.

The call options will expire during three different time periods; the first in December 2013, the second in December 2014, and the third in December 2015. The options comprise in the aggregate 15,251,303 class B shares in the company (subject to recalculation according to the customary terms).

Cloetta is not contributing to the call option scheme and will not incur any costs related to the scheme. The call option scheme will not result in any dilution of the current shareholders' holdings.

In addition, the Board of Directors has proposed to the 2013 Annual General Meeting that the company introduce a long-term share-based incentive plan to align the interests of the shareholders on the one hand with those of the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation.

Preparatory and decision-making process

The Board of Directors has set up a remuneration committee consisting of four members. The remuneration committee has prepared recommendations for the Board's decision on issues relating to remuneration principles, the amount of remuneration and the terms of employment for the Group Management Team. These recommendations have included the proportional relationship between fixed and variable remuneration and the size of any salary increases. The remuneration committee has also discussed pension terms and termination benefits.

Remuneration to the President for the financial year 2012 has been determined by the Board. Remuneration to other senior executives has been decided by the President. Since the AGM on 19 December 2011, the remuneration committee has met on 5 occasions. The proposed guidelines for remuneration to senior executives in 2013 that will be presented to the AGM on 11 April 2013 for approval are identical to the current ones with the exception of the proposal for a long-term, share-related incentive scheme.

NOTE 7 Items affecting comparability

SEKm	2012[1]	2011
Supply chain restructuring	–199	–162
Integration expenses	–73	–9
Other	–37	–38
Total	**–309**	**–209**
Corresponding line in the consolidated profit and loss account:		
Net sales	–1	–
Cost of goods sold	–121	–167
Other operating income	13	–
Selling expenses	–13	–14
General and administrative expenses	–187	–28
Total	**–309**	**–209**

1) Includes non-cash capital losses on the divestments of the distribution business in Belgium and Denmark Ejendomsselskab amounting to SEK 47m. Total impairments of SEK 69m are also included in non-cash items.

NOTE 8 Audit fees

SEKm	2012	2011
Fees for auditing services		
KPMG	2	–
PwC	4	4
Total auditing services	**6**	**4**
Fees for other services		
KPMG		
– Tax advice	–	–
– Audit-related advice	2	–
– Other	–	–
PwC		
– Tax advice	2	–
– Audit-related advice	–	–
– Other	–	–
Total other services	**4**	**–**
Total audit fees	**10**	**4**

Auditing services refer to the auditing of the annual financial statements, the accounts and the company's administration by the Board of Directors and the President, other tasks that are the responsibility of the company's auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks.

NOTE 9 Financial income and expense

SEKm	2012	2011
Exchange differences borrowings and cash and cash equivalents in foreign currencies, net	**20**	**–12**
Interest income, third-party borrowing	4	1
Interest income, related parties	1	10
Other financial income	**5**	**11**
Interest expenses, third-party borrowings	–120	–117
Interest expenses, third-party pensions	–13	–10
Interest expenses, third-party leases	0	0
Other financial expenses, third parties	–80	–31
Interest expenses, related parties	–61	–441
Other financial expenses at amortised cost	**–274**	**–599**
Unrealised losses on single currency interest rate swaps[1]	–4	0
Realised losses on single currency interest rate swaps[1]	–12	0
Other financial expenses at fair market value	**–16**	**0**
Total other financial expenses	**–290**	**–599**
Net financial items	**–265**	**–600**

1) The unrealised losses on single currency interest swaps consist of fair value adjustments on the currency interest swaps over time. The realised losses on single currency interest rate swaps are the contractual payments.

NOTE 10 Income taxes

SEKm	2012	2011
Current income tax	–6	–8
Deferred income tax	73	180
Total	**67**	**172**
The year's income tax expense corresponds to an effective tax rate of, %	47.6	72.4

The difference between the effective tax rate and the statutory tax rate in Sweden is attributable to the following items:

SEKm	2012	2011
Taxable result from ordinary activities	–140	–240
Tax calculated at applicable tax rate for the Parent Company	37	59
International rate differences	4	–7
State and local taxes	–8	–11
Result from investments/divestments, non-taxable	20	–
Expenses not deductible for tax purposes	–18	–10
Adjustments recognised in the period for tax of prior periods	5	46
Effect of rate changes	49	9
Tax losses for which no deferred income tax asset was recognised in previous years	28	58
Tax losses for which no deferred income tax asset was recognised in book year	–9	–27
Other	–41	55
Tax benefit/(expense)	**67**	**172**
Reported effective tax rate, %	**47.6**	**72.4**
Tax rate of Parent Company, %	26.3	25.5

The applicable tax rate is based on the current enacted tax rate for the Parent Company, which is the Swedish current tax rate of 26.3% for 2012. The 2011 comparative applicable tax rate is the Dutch rate of 25.0% that was applicable for the head of the former LEAF group.

The effective tax rate differs from the applicable tax rate mainly due to the positive effect of the revaluation of deferred tax assets and liabilities to the enacted tax rates for 2013, recognition of deferred tax assets for loss carryforwards that were not recognised before and a positive result on the sale of participations that is exempt from corporate income taxes

In 2011 Cloetta Sverige AB (formerly known as Leaf Sverige AB) made a group contribution to the parent company Yllop Finance Holding SA (formerly known as Leaf Finance AB) to reduce the current tax for the Swedish entities. The tax impact of the contribution has been recognised directly through equity according to IAS 12.58.

The weighted average applicable tax rate is based on the relative proportion of the group companies' contribution to profit and the tax rates ruling in the countries concerned.

NOTE 11 Intangible assets

Historical costs SEKm	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2011					
Acquisition or production costs	2,835	2,033	96	27	4,991
Accumulated amortisation and impairments	–	–83	–68	–18	–169
Book value at 1 January 2011	**2,835**	**1,950**	**28**	**9**	**4,822**
Movements in 2011					
Additions	–	–	31	–	31
Exchange differences	–10	–14	–	–	–24
Impairments	–	–	–2	–	–2
Amortisation	–	–	–8	–8	–16
Total	**–10**	**–14**	**21**	**–8**	**–11**
31 December 2011					
Acquisition or production costs	2,825	2,019	126	27	4,997
Accumulated amortisation and impairments	–	–83	–77	–26	–186
Book value at 31 December 2011	**2,825**	**1,936**	**49**	**1**	**4,811**
Movements in 2012					
Business combinations	338	50	2	14	404
Additions	–	–	25	4	29
Exchange differences	–62	–67	–3	1	–131
Divestments	–	–	0	–	0
Amortisation	–	–	–13	–1	–14
Total	**276**	**–17**	**11**	**18**	**288**
31 December 2012					
Acquisition or production costs	3,101	1,999	159	28	5,287
Accumulated amortisation and impairments	–	–80	–99	–9	–188
Book value at 31 December 2012	**3,101**	**1,919**	**60**	**19**	**5,099**
Estimated economic useful life	**indefinite**	**indefinite**	**3 – 5 years**	**5 years – indefinite**	

Capitalised software relates primarily to external fees for software implementation and the purchase price of the software itself, as well as the integration of the IT infrastructure of Cloetta Sverige AB (formerly known as Leaf Sverige AB) and Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB). Software amortisation of SEK 13m (8) is included in general and administrative expenses. The impairment losses on intangible assets have been charged to general and administrative expenses (see Note 3).

The book value of software includes an amount of SEK 21m (28) for software under construction, which is an M3 ERP system that was under development at 31 December 2012 in Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB) and Leaf Slovakia Sro.

The other intangibles consists mainly of benefits related to the right of free electricity for Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB).

The capitalised distribution contract relates to the distribution of third-party products in Italy, a contract that expired in February 2012. The amortisation of the distribution contract of SEK 1m (8) has been charged to selling expenses.

All of the recognised trademarks have been pledged for the benefit of Svenska Handelsbanken AB (see Note 23).

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IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

Goodwill and trademarks do not generate cash inflows that are largely independent of those from other assets. These are therefore allocated to the cash-generating unit (CGU) or group of CGUs expected to benefit most from these assets. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. A group of CGUs is not larger than an operating segment.

The estimated recoverable amount of all CGUs and groups of CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 1.8%

The most important assumptions in the calculations are based on anticipated growth rate and the pre-tax discount rate. The assumptions are based on prior experience and external information sources. The assumed growth target, is in line with the Group's long-term goal for organic growth and the management's judgement. The pre-tax discount rate has been estimated at 8.0%.

Goodwill

Goodwill is not monitored at the CGU level, but at the Group/corporate level. As a result, IAS 36 requires goodwill to be allocated to a CGU or group of CGUs not larger than an operating segment. Allocation has therefore been made to the groups of CGUs that correspond to the operating segments that are expected to benefit most from the anticipated synergies, which are the commercial organisations of the Scandinavia, Finland, Middle and South. Reallocation of the Goodwill is based on the relative fair value of the regions.

The following summary specifies the goodwill allocation to the different groups of CGUs:

SEKm	Opening balance	Re-allocation	Addition	Exchange rate differences	Closing balance
	1,936	–1,936	–	–	–
Scandinavia		611	50	–23	638
Finland		912	–	–31	881
Middle		166	–	–5	161
South		247	–	–8	239
Total	**1,936**	**–**	**50**	**–67**	**1,919**

The estimated recoverable amounts for Middle and South exceeded their carrying amounts by approximately SEK 179m and SEK 399m, respectively.

Change required in assumptions for carrying amount to equal recoverable amount		
Weighted average, %-points	Middle	South
Growth rate	–1.0	–1.9
Pre-tax discount rate	1.1	1.9

Trademarks

For trademarks, the related CGUs are the commercial organisations of the countries where the respective trademarks are found. Products are mainly sold in the countries owning the trademarks. If products are sold in other countries, the trademark owner charges royalty fees to the selling party.

The following summary specifies the trademark allocation to the different CGUs:

SEKm	Opening balance	Addition	Exchange rate differences	Closing balance
Sweden	960	338	10	1,308
Finland	462	–	–18	444
The Netherlands	642	–	–25	617
Italy	712	–	–27	685
Other (corporate assets)	49	–	–2	47
Total	**2,825**	**338**	**–62**	**3,101**

The estimated recoverable amount of the CGU of Italy exceeds its carrying amount by approximately SEK 208m. If the growth rate changes to 0.7% or the pre-tax discount rate to 9.4%, the estimated recoverable amount of the CGU will be equal to its carrying amount.

Corporate assets

Group-wide assets and liabilities, including the right of free electricity and software under construction that cannot be directly allocated on a reasonable and consistent basis to the CGUs or groups of CGUs, are classified as corporate assets. A group impairment analysis has been performed where the carrying amount of the total group of CGUs, including the portion of the carrying amount of the Group's corporate assets, is compared with the total recoverable amount.

Key assumptions

For impairment testing, the following key assumptions have been used:

%	2012
Growth rate	1.8
Pre-tax discount rate	8.0

These assumptions have been used for the analysis of each CGU and group of CGUs within the impairment analysis. Budgeted figures are based on past performance and management's expectations of market development. The weighted average growth rates used are consistent with the forecasts used within the Group. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

Comparables

In previous years, the commercial and supply organisations were managed at the Group level, for which reason it was not possible to split operating income among regions or categories. Since there were not multiple CGUs, the Group was considered to be one CGU to which all goodwill and trademarks were allocated for impairment testing purposes. The recoverable amount of the CGU in 2011 was determined using the fair value less costs to sell approach. The management used the enterprise value calculated in connection with the merger with Cloetta AB. This value was announced to the public in a press release dated 16 December 2011. Management considered this enterprise value to be a reliable basis for calculating of the fair value of the company less costs to sell as it was calculated by an independent third party for the purpose of imminently entering into a binding arm's length transaction agreement. For the purpose of its analysis, management did not assume any change from the announced price to the final price to be included in the binding transaction agreement. In view of this, no 2011 movement schedule has been included.

NOTE 12 Property, plant and equipment

Historical costs SEKm	Land and buildings	Machinery and equipment	Assets under construction	Total
1 January 2011				
Acquisition or production costs	1,034	2,058	26	3,118
Accumulated depreciation and impairments	–470	–1,316	–	–1,786
Book value at 1 January 2011	**564**	**742**	**26**	**1,332**
Movements in 2011				
Additions	13	34	146	193
Reclassifications	16	111	–127	–
Disposals	–	–1	0	–1
Exchange differences	–3	–4	0	–7
Impairments	–8	–69	–	–77
Depreciation	–16	–91	–	–107
Reclassified to assets held for sale	–15	–	–	–15
Total	**–13**	**–20**	**19**	**–14**
31 December 2011				
Acquisition or production costs	1 027	2,134	45	3,206
Accumulated depreciation and impairments	–476	–1,412	–	–1,888
Book value at 31 December 2011	**551**	**722**	**45**	**1,318**
Movements in 2012				
Business combinations	119	245	34	398
Divestment of subsidiaries	–18	–1	–	–19
Additions	7	64	169	240
Reclassifications	27	100	–127	0
Disposals	0	–5	0	–5
Exchange differences	–18	–25	–2	–45
Impairments	–15	–54	–	–69
Depreciation	–18	–134	–	–152
Reclassified to assets held for sale	–55	0	–	–55
Total	**29**	**190**	**74**	**293**
31 December 2012				
Acquisition or production costs	980	2,906	119	4,005
Accumulated depreciation and impairments	–400	–1,994	–	–2,394
Book value at 31 December 2012	**580**	**912**	**119**	**1,611**
Estimated economic useful life	**Buildings: 20–50 years Land: Indefinite**	**3–40 years**	**n/a**	

A significant share of land and buildings are secured through mortgages for the benefit of Svenska Handelsbanken AB (See Note 23).

Depreciation expenses of SEK 152m (107) have been charged in cost of goods sold, selling expenses and general and administrative expenses. The impairment losses on property, plant and equipment have been charged to cost of goods sold (see Note 3).

The impairments relate mainly to the sale of properties, machinery and equipment in connection with the supply chain restructuring. The impairment is the difference between the carrying amount and the higher of value in use and fair value less costs to sell. In these cases, fair value less costs to sell is the higher. Fair value less costs to sell for the impaired assets is determined through external valuations.

At 31 December 2012, the Group had contractual commitments for acquisitions of machinery and equipment for an amount of SEK 65m (43).

The breakdown of non-current assets excluding financial assets, deferred tax assets and IAS 19R assets by country is as follows:

SEKm	2012	2011
Sweden	2,628	1,215
Finland	1,341	1,316
Italy	1,217	1,205
The Netherlands	1,161	1,947
Other countries	363	446
Total PP&E and intangible fixed assets	**6,710**	**6,129**

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NOTE 13 Deferred tax assets and liabilities

SEKm	Tax loss carryforwards	Unused tax credits	Property, plant and equipment	Intangibles	Provisions (incl. pensions)	Other current assets and liabilities	Total
1 January 2011	157	11	–118	–582	29	–4	–507
Profit and loss account (charge)/ credit for the year	173	–2	26	38	2	5	242
Reversal of tax allocation reserve	–26	0	–1	14	0	1	–12
Effect of rate changes	0	0	0	10	0	0	10
Exchange differences/other	–15	0	0	1	0	0	–14
31 December 2011	289	9	–93	–519	31	2	–281
Business combinations and divestments	–22	–	–1	–95	–70	6	–182
Profit and loss account (charge)/ credit for the year	–1	34	–1	–29	34	4	41
Reversal of tax allocation reserve	5	–	–2	–	0	–2	1
Effect of rate changes	–2	11	–1	38	–	3	49
Exchange differences/other	–10	–2	–2	30	10	–5	21
31 December 2012	259	52	–100	–575	5	8	–351

Deferred tax assets and liabilities can be broken down as follows:

SEKm	31 Dec 2012	31 Dec 2011
Deferred tax assets	473	447
Deferred tax liabilities	–824	–728
Total	–351	–281

Deferred tax assets refer, among other things, to the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

The amounts are as follows:

SEKm	31 Dec 2012	31 Dec 2011
Deferred tax asset to be realised after more than 12 months	359	334
Deferred tax asset to be realised within 12 months	114	113
Total	473	447

The composition of deductible temporary differences (recognised as well as unrecognised) and unused tax credits and tax loss carryforwards is as follows:

	31 Dec 2012		31 Dec 2011	
SEKm	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	162	–	149	0
Unused tax credits	52	32	9	79
Tax loss carryforwards	259	57	289	87
Total	473	89	447	166

For the unrecognised deductible temporary differences, unused tax credits and tax loss carryforwards, it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction. While judging this probability, management took into account all intended tax planning strategies, financial forecast figures and prior year taxable income.

The unused tax credits relate to a tax abatement granted by the Slovakian government. This tax abatement means that a total amount of around SEK 84m of future income tax liabilities will be waived by the Slovakian government. Leaf Slovakia Sro is able to utilise this tax abatement until the financial year 2018.

The expiration dates for the tax loss carryforwards range from 7 years to unlimited.

Deferred tax liabilities

The deferred tax liability are recognised, to account for the taxable temporary differences between the tax bases of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

The majority of the taxable temporary differences for which a deferred tax liability are recognised, as the Group will be able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will be reversed in the foreseeable future.

SEKm	31 Dec 2012	31 Dec 2011
Deferred tax liability to be recovered after more than 12 months	734	719
Deferred tax liability to be recovered within 12 months	90	9
Total	824	728

Current income tax

SEKm	31 Dec 2012	31 Dec 2011
Current income tax receivables	4	2
Current income tax liabilities	–97	–103
Total	–93	–101

NOTE 14 Financial assets

SEKm	2012	2011
Financial assets		
Registration fees	7	7
Deposits	1	1
Other receivables, related parties	78	253
Other financial assets	2	0
Closing balance at end of year	**88**	**261**

The fair values of non-current financial assets approximate their carrying value.

None of the different classes of non-current financial assets contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables mentioned above. Other receivables, related parties of SEK 78m in 2012 are secured by holding a number of consideration shares or a deposit by the relevant related parties corresponding to the relevant amount.

See Note 31 for more details about the other receivables from related parties.

NOTE 15 Inventories

Inventories for own use and resale:

SEKm	31 Dec 2012	31 Dec 2011
Raw materials and consumables	241	196
Work in progress	56	46
Finished goods and goods for resale	476	398
Closing balance at end of year	**773**	**640**

Movements in the provision for obsolete inventory amounts are as follows:

SEKm	2012	2011
At 1 January	**11**	**15**
Business combinations	4	–
Additions	13	11
Reversals	–5	–4
Write-downs	–3	–11
Exchange differences	–1	0
Closing balance at end of year	**19**	**11**

Inventories for an amount of SEK 574m have been pledged as security for borrowings from Svenska Handelsbanken AB (see Note 23).

NOTE 16 Trade and other receivables, prepaid expenses and accrued income

SEKm	31 Dec 2012	31 Dec 2011
Trade debtors	835	896
Less: Provision for impairment of trade debtors	–10	–11
Trade debtors – net	**825**	**885**
Other receivables	88	71
Receivables from related parties	5	66
Prepaid expenses and accrued income	33	29
Closing balance at end of year	**951**	**1,051**

Trade and other receivables with a book value of SEK 825m (885) are pledged as security for borrowings from Svenska Handelsbanken AB (see Note 23).

As of 31 December 2012, trade debtors of SEK 10m (11) were impaired and provided for. A portion of the receivables is expected to be recovered and, as a result, the amount of the provision for impairment of trade debtors at 31 December 2012 was SEK 10m (11). The individually impaired receivables relate to uncollectible receivables.

See Note 31 for more details about the receivables from related parties.

Movements in the provision for impairment of trade debtors are as follows:

SEKm	2012	2011
At 1 January	**11**	**10**
Business combinations	0	–
Provision for receivables impairment	9	8
Receivables written off during the year as uncollectible	–8	–8
Unused amounts reversed	0	0
Exchange differences	–2	1
At 31 December	**10**	**11**

The age analysis for these trade debtors is as follows:

SEKm	2012	2011
Up to 60 days	0	0
60 to 90 days	0	0
Over 90 days	10	11
	10	**11**

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2012, trade debtors of SEK 160m (145) were past due but not impaired. These relate to a number of customers, for whom there is no recent history of default.

The age analysis for these trade debtors is as follows:

SEKm	2012	2011
Up to 60 days	128	119
60 to 90 days	11	12
Over 90 days	21	14
	160	**145**

The carrying amounts are assumed to approximate the fair values of trade receivables and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the Group's trade debtors are denominated in the following currencies:

SEKm	2012	2011
Euro	560	721
US dollar	0	3
Great Britain pound	19	12
Swedish krona	197	86
Norwegian krone	24	28
Danish krone	23	32
Other currencies	2	3
	825	**885**

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The breakdown of prepaid expenses and accrued income is as follows:

SEKm	2012	2011
Prepaid personnel-related expenses	2	2
Prepaid rents, insurance and lease charges	3	4
Other prepaid expenses	28	22
Other accrued income	–	1
Closing balance at end of year	**33**	**29**

NOTE 17 Cash and cash equivalents

The item cash and cash equivalents in the cash flow statement consists of the following:

SEKm	31 Dec 2012	31 Dec 2011
Specification of cash and cash equivalents		
Cash and bank balances	306	97
Closing balance at end of year	**306**	**97**

All cash and bank balances are available on demand.

NOTE 18 Assets held for sale

Assets held for sale consist of the following:

SEKm	31 Dec 2012	31 Dec 2011
Property, plant and equipment held for sale	35	15
Closing balance at end of year	**35**	**15**

The assets held for sale are the land and buildings in Zola Predosa, Italy, land and buildings in Aura, Finland, and land and buildings in Alingsås, Sweden.

NOTE 19 Equity

Cloetta's former SEK 30m convertible debenture loan for the employees ran from 16 February 2012 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 16 February 2012 to 25 February 2012 at a conversion rate of SEK 30.40. At 16 February 2012, the conversion resulted in a total increase in the share capital by SEK 2m and the share premium reserve by SEK 9m.

Capital management

The Board's financial objective is to maintain a strong financial position that contributes to maintaining investor, creditor and market confidence and to providing a platform for ongoing development of the business. Capital consists of total equity. The Board of Directors monitors dividends to the shareholders.

The company's long-term intention is a payout of 40–60% of profit after tax. In the coming years, the primary focus will be on reinvesting the company's cash flows to further sharpen its competitiveness through rationalisation, product development, marketing initiatives and amortisation of bank loans. For the short term, no dividend was paid in 2012 and none is expected to be paid for the next two to three years from merger date.

The breakdown of dividends is as follows:

SEKm	31 Dec 2012	31 Dec 2011
Reported dividend	–	18
Proposed dividend	–	30
Dividend per share, SEK		
Reported, SEK	–	0.75
Proposed, SEK	–	1.25[1]

1) SEK 0.75 refers to the ordinary dividend and SEK 0.5 to the extraordinary dividend.

The Board has discussed a long-term incentive plan for senior management and other key employees. The Board will present the plan to the AGM on 11 April 2013 for approval.

The Group monitors capital using the net debt/equity ratio, which is net debt divided by equity. There were no changes in the Group's approach to capital management during the year.

EQUITY

Share capital

The number of shares authorised, issued and fully paid at 31 December 2012 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

Reconciliation of the number of shares outstanding at the beginning and at the end of the period:

1 January 2011	**24,119,196**
Conversion of convertible loan	199,990
31 December 2011	**24,319,186**
Conversion of convertible loan	330,834
Directed new share issue	165,186,924
Rights issue	98,745,900
31 December 2012	**288,619,299**

Neither Cloetta AB nor any subsidiary has held any shares in Cloetta during the year.

Other paid-in capital

On 7 March 2012, the Board of Directors exercised the authorisation granted by the Extraordinary General Meeting on 15 February 2012 to resolve on a rights issue of no more than 9,861,614 class A shares and 89,305,900 class B shares. The purpose of the rights issue was to use the proceeds of the issue for repayment of the vendor loan note that Cloetta issued to Yllop Holding S.A. as part of the purchase price for Leaf Holland B.V. The previous owners of Leaf Holland B.V. (Nordic

Capital Fund V and funds managed by CVC Capital Partners) through Yllop Holding S.A., which held 165,186,924 class C shares following the issue in kind, were not entitled to subscription rights in the rights issue, but committed together with AB Malfors Promotor, to fully underwrite the rights issue without charging the customary underwriting commission.

Each existing A share and B share in Cloetta entitled the holder to one subscription right that granted the right to four new shares of the respective share class. The exercise price was SEK 10.79 per new share. On 13 April 2012 it was announced that Cloetta's rights issue had been fully subscribed. Approximately 99.6% of the offered shares were subscribed for through the exercise of subscription rights. The rights issue has provided Cloetta with proceeds of SEK 1,065m before issue expenses. As a result of the rights issue, Cloetta's share capital has been increased by SEK 493,729,500 to SEK 1,443,096,495. At 31 December 2012 the share capital was divided between 288,619,299 shares, of which 9,861,614 were of class A and 278,757,685 were of class B.

Cloetta's former SEK 30m convertible debenture loan for the employees ran from 14 May 2009 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. At 16 February 2012 the conversion had resulted in a total increase in the share capital by SEK 2m and the share premium reserve by SEK 9m.

Translation differences reserve

Reserves consist of all exchange gain/losses arising on translation of the financial statements of foreign operations which present their financial statements in a currency other than that used by the Group.

Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the other paid-in capital represent the amount of non-restricted equity available for distribution to the shareholders.

For the impact of the early adoption of IAS 19, see Note 1.

Changes in equity

For disclosures about changes in equity in the Group, see the consolidated statements of changes in equity on page 84.

NOTE 20 Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding adjusted for the dilutive effect of potential shares.

At year-end 2012 and 2011 Cloetta had no potential ordinary shares, and diluted earnings per share are therefore equal to basic earnings per share.

The calculation of earnings per share at 31 December 2012 was based on the loss attributable to ordinary shareholders of SEK –73m (–68) and a weighted average number of ordinary shares outstanding of 276,132,021 (262,137,526).

SEKm	2012	2011
Basic and diluted earnings per share		
Profit for the year	–73	–68
Weighted average number of ordinary shares during the year before dilution	276,132,021	262,137,526
Basic and diluted earnings per share, SEK	**–0.26**	**–0.26**

NOTE 21 Pensions and other long-term employee benefits

Obligations are recognised for the defined benefit schemes on the basis of the accounting policies described in Note 1. The schemes refer to pension schemes and other long-term benefit schemes.

The Group accounts for certain defined benefit pension plans as though they were defined contribution schemes since sufficient information is not available to enable the Group to account for the plans as a defined benefit plan. Cloetta applies the same accounting policies as other employers. In the event of a deficit in this pension fund, the Group has no obligation to provide supplementary contributions other than higher future contributions.

The Group has defined benefit pension plans in Sweden, the Netherlands, Belgium, Finland, Germany, Italy and Norway. The main benefit plans for the Group are:

Sweden ITP plan

The ITP plan cover employees born before 1979. Benefits provided in the old defined benefit plan include a final pay-based retirement pension. This plan is an unfunded defined benefit plan.

The ITP plan benefit formula provides pension benefits in percentage of salary bands according to the table overleaf. Benefits will be reduced proportionally if the expected service time, within the plan and irrespective of employer, is less than 30 years. ITP plan benefits vested with former employers are indexed according to the consumer price index.

Finland LEAF/Merijal plan

The plan is an insured voluntary final salary pension plan. It was established on 31 December 2005 when liabilities and assets of Merijal Pension Foundation and LEAF Pension Foundation were transferred to Pohjola Life Insurance Company.

Norway

There is one plan, which is insured in a life insurance company. This funded plan, together with the national pension scheme, provides an old age pension of 66% of final salary. Included is widow(er)s pension equal to 60% of the old age pension and children's pension equal to 50% of the old age pension. Members who become disabled will receive a disability pension equal to the old age pension they would have received with their present salary.

Italy – TFR plan

The Trattamento di Fine Rapporto (TFR) benefit is a deferred compensation item established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated, i.e. in the case of retirement, death, disability and turnover.

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The total pensions and other long-term employee benefits can be determined as follows:

SEKm	31 Dec 2012	31 Dec 2011
Obligations for:		
Pension benefits	439	238
Other long-term employee benefits (for jubilee payments) ('OLEB')	13	11
Closing balance at end of year	**452**	**249**

The amounts recognised in the balance sheet are determined as follows:

SEKm	31 Dec 2012	31 Dec 2011
Present value of funded obligations	125	109
Fair value of plan assets	–90	–87
Deficit of funded plans	**35**	**22**
Present value of unfunded obligations	417	227
Total deficit of defined benefit pension plans	**452**	**249**
Impact of minimum funding requirement/ asset ceiling	–	–
Liability in the balance sheet	**452**	**249**

Movements in the combined net defined benefit obligations and other long-term employee benefits over the year are as follows:

SEKm	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
At 1 January 2011	**315**	**–93**	**222**	**–**	**222**
Current service cost	9	–	9	–	9
Interest expense/(income)	14	–4	10	–	10
Remeasurements:					
- Return on plan assets, excluding amounts included in interest expense/(income)	–	12	12	–	12
- (Gain)/loss from change in demographic assumptions	–	–	–	–	–
- (Gain)/loss from change in financial assumptions	36	–	36	–	36
- Experience (gains)/ losses	–18	–	–18	–	–18
- Change in asset ceiling, excluding amounts included in interest expense	–	–	–	–	–
Total remeasurements	**18**	**12**	**30**	**–**	**30**
Exchange differences	–1	0	–1	–	–1
Contributions:					
- Employers	–	–20	–20	–	–20
- Plan participants	1	–1	–	–	–
Payments from plans					
- Benefit payments	–19	19	–	–	–
- Termination benefits	–	–	–	–	–
Plan amendments	–	–	–	–	–
Acquired in a business combination	–1	–	–1	–	–1
At 31 December 2011	**336**	**–87**	**249**	**–**	**249**
At 1 January 2012	**336**	**–87**	**249**	**–**	**249**
Current service cost[1]	13	–	13	–	13
Interest expense/(income)	17	–3	14	–	14
Remeasurements:					
- Return on plan assets, excluding amounts included in interest expense/(income)	–	0	0	–	0
- (Gain)/loss from change in demographic assumptions	0	–	–	–	0
- (Gain)/loss from change in financial assumptions	63	–	63	–	63
- Experience (gains)/ losses	10	–	10	–	10
- Change in asset ceiling, excluding amounts included in interest expense	–	–	–	–	–
Total remeasurements	**73**	**0**	**73**	**–**	**73**
Exchange differences	–5	2	–3	–	–3
Contributions:					
- Employers	–	–18	–18	–	–18
- Plan participants	1	–1	–	–	–
Payments from plans					
- Benefit payments	–18	18	–	–	–
- Termination benefits	–	–	–	–	–
Plan amendments	131	–	131	–	131
Acquired in a business combination	–7	–	–7	–	–7
At 31 December 2011	**541**	**–89**	**452**	**–**	**452**

1) In connection with the closure of the Aura and Alingsås factories and restructuring of the Swedish commercial organisation, curtailments were incurred. The impact of these curtailments is recognised in the profit and loss account as a service cost component.

The significant actuarial assumptions were as follows:

%	31 Dec 2012	31 Dec 2011
Discount rate	2.62	3.82
Expected rate of future salary increases	2.26	2.28
Expected rate of future increase for benefits in payment	1.28	1.24
Expected long-term inflation rate	1.85	2.00

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2012	
Year	Sweden	Others
Retiring at the end of the reporting period:		
- Male	21	16
- Female	24	17
Retiring 20 years after the end of the reporting period		
- Male	25	20
- Female	28	21

The sensitivity of the combined net defined benefit obligations and other long-term employee benefits to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligation		
SEKm	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1 %-point	–17	17
Salary growth rate	1 %-point	7	–7
Pension growth rate	1 %-point	12	–12

SEKm	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	2.20	–2.00

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets for both 2011 and 2012 consist to 100% of insurance contracts. Expected employer contributions to defined benefit schemes for the year ending 31 December 2013 amount to SEK 21m.

The expected maturity analysis for undiscounted combined net defined benefit obligations and other long-term employee benefits is as follows:

SEKm	Less than 3 years	Between 3–7 years	Between 7–15 years	Over 15 years	Total
Defined benefit obligation by expected maturity	9	41	118	373	541

The total pension costs amounting to SEK 23m (17) are included in general and administrative expenses, costs of goods sold, selling expenses and financial income and expenses in the profit and loss account.

Share-based payment

At the time of the merger of Leaf Holland B.V. and Cloetta AB, members of key management of the Group held depository receipts over ordinary shares of Leaf Holding S.A. The underlying shares were held by a foundation, which issued depository receipts to the key management. As key management paid the grant, date fair value of the shares/depository receipts, no share-based payment expenses were recognised in relation to this arrangement.

Due to the merger, the underlying shares were sold by the foundation to Cloetta AB. Accordingly, the shareholding of key management in Leaf Holding S.A. was reduced to nil. The foundation forwarded the proceeds received to key management. This transaction did not have any impact on the Group's financial statements for 2012.

The transactions under the previous arrangement can be summarised as follows:

SEKm	2012	2011
Issued shares at 1 January	**384,910**	**384,910**
Awarded during the year:	–	–
Settled during the year	–384,910	–
Issued shares at 31 December	**–**	**384,910**

Non-voting shares awarded to key management in 2011 and 2012 respectively

SEKm	2012	2011
Nature of the arrangement	Award of share capital	Award of share capital
Date of grant	n/a	n/a
Number of instruments awarded	–	–

New call option arrangement

Cloetta's principal shareholders, AB Malfors Promotor, Nordic Capital and CVC (through holding companies), have issued call options that members of the executive management and certain other key employees have acquired at market terms. Under the call option agreement, the selected key members of the management group were offered the opportunity to purchase options against payment of the fair market value of the options.

The call options have been granted by the principal shareholders in order to promote commitment to the company's development.

The options consist of three separate tranches, with different exercise periods and expiry dates. As no service requirements or other vesting conditions are attached, the options acquired in connection with the merger of LEAF and Cloetta vested immediately.

Options acquired in the first tranche have an exercise period starting immediately after completion of the merger of LEAF and Cloetta and ending on 16 December 2013. The exercise period of the second tranche of the options is between 16 December 2013 and 16 December 2014, and the exercise period of the third tranche of the options is between 16 December 2014 and 16 December 2015.

The options comprise in the aggregate 15,251,303 class B shares in the company (subject to recalculation according to customary terms).

The initial exercise price of the options is set at SEK 15.76 for all three tranches, corresponding to 120% of the volume-weighted average share price during 10 trading days preceding the date on which the options were offered under the agreement ("the initial share price"). If the share price at the date of the exercise of an option is higher than 180% of the initial share price, a step-up of the exercise price amounting to SEK 0.90 for each whole Swedish krona (SEK 1.00) above 180% of the initial share price will apply.

Movements in the number of options outstanding and their related expiry dates are as follows:

	Tranche 1	Tranche 2	Tranche 3	Total
Outstanding at start of the year	–	–	–	–
Originally granted during the year	*2,206,639*	*2,206,642*	*2,206,645*	*6,619,926*
Restated granted during the year as a result of rights issue	5,083,761	5,083,767	5,083,775	15,251,303
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	5,083,761	5,083,767	5,083,775	15,251,303
Exercisable at end of the year	**5,083,761**	–	–	**5,083,761**
Expiry date	16 December 2013	16 December 2014	16 December 2015	

The fair value of the options is equal to the difference between (i) the fair value of the options at the grant date as determined in accordance with IFRS 2 and (ii) the purchase price paid. The purchase price paid by the key members of management represent the grant date fair value of the options as calculated in accordance with a Black-Scholes simulation model. Accordingly, the arrangement does not result in recognition of a share-based payment expense in these financial statements. Furthermore, as the major shareholders of Cloetta AB will deliver the underlying shares to settle the arrangement following the exercise of the options, such a settlement will not have an impact on the company's financial position.

In addition, the Board of Directors has proposed to the 2013 Annual General Meeting that the company introduce a share-based long-term incentive plan to align the interests of the shareholders on the one hand and group management and other key employees on the other hand in order to ensure maximum long-term value creation.

No amounts are recognised in 2011 or 2012 in the financial statements (before taxes) for share-based payment transactions with senior executives.

NOTE 22 Provisions

Total provisions consist of the following:

SEKm	2012	2011
Pension benefits	439	238
Other long-term employee benefits	13	11
Provision for reorganisation	34	15
Provision for returns	43	45
Other provisions	13	25
Total provisions	**542**	**334**
Analysis of total provisions		
Non-current	463	274
Current	79	60
Total	**542**	**334**

The reorganisation provision is mainly related to restructuring expenses in Leaf Italia S.r.l. and restructuring of the supply chain and merger related activities.

A provision for an amount of SEK 43m (45) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2012 is expected to be utilised during the first half year of 2013.

Other provisions relate among other things to agents' indemnity costs. The bulk of long-term provisions is expected to be settled between 3–5 years.

In 2011 other provisions also included a bonus scheme for the Group's senior management who are not shareholders in Yllop Holding S.A. Participants of said scheme had the possibility to enjoy a multiplier on the part of the bonus that they deferred depending on development of the business. The bonus scheme was fully paid out in 2011 and no expenses were recognised in 2012.

Movements in provisions are specified as follows:

SEKm	Re-organisation	Sales return	Other	Total
1 January 2011	29	53	26	108
Additions	14	46	5	65
Utilisations	–28	– 47	– 4	–79
Reversals	0	– 6	–4	–10
Addition/release discount	–	–	1	1
Exchange differences	0	–1	1	0
31 December 2011	15	45	25	85
Analysis of total provisions				
Non-current				25
Current				60
Total				85
1 January 2012	15	45	25	85
Business combinations	2	–	–	2
Additions	42	52	9	103
Utilisations	–23	–52	–13	–88
Reversals	–1	–	–7	–8
Exchange differences	–1	–2	–1	–4
31 December 2012	34	43	13	90
Analysis of total provisions				
Non-current				11
Current				79
Total				90

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NOTE 23 Borrowings

Total borrowings consist of the following:

SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	31 Dec 2012 Total remaining term > 1 years
Loans from credit institutions	747	2,516	–	2,516
Finance lease liabilities	0	–	–	0
Shareholder loan	–	–	–	–
Liabilities to related parties	–	–	–	–
Total	**747**	**2,516**	**–**	**2,516**

SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	31 Dec 2011 Total remaining term > 1 years
Loans from credit institutions	727	2,236	–	2,236
Finance lease liabilities	0	0	–	0
Shareholder loan	–	–	3,364	3,364
Liabilities to related parties	20	–	477	477
Total	**747**	**2,236**	**3,841**	**6,077**

Liabilities to be repaid within 12 months of the end of the financial year, as set out above, are included under current liabilities.

See Note 31 for more details about liabilities to related parties.

The following table shows the Group's contractually agreed cash flows payable under financial liabilities. Balances due within 12 months are equal to their carrying amounts, as the impact of discounting is not significant.

Contractual cash flows for borrowings consist of the following: SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	31 Dec 2012 Remaining term > 5 years
Loans from credit institutions	865	444	2,355	–
Finance lease liabilities	0	–	–	–
Shareholder loan	–	–	–	–
Total	**865**	**444**	**2,355**	**–**

SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	31 Dec 2011 Total remaining term > 5 years
Loans from credit institutions	815	448	1,993	–
Finance lease liabilities	1	–	–	–
Shareholder loan	–	–	–	9,630
Total	**816**	**448**	**1,993**	**9,630**

The carrying amounts and fair value of the non-current borrowings are as follows:

	Fair value		Carrying amount	
SEKm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Borrowings from credit institutions	2,516	2,236	2,516	2,236
Finance lease liabilities	0	–	0	0
Shareholder loan	–	3,364	–	3,364
Total	**2,516**	**5,600**	**2,516**	**5,600**

The fair value of current borrowings is equal to their carrying amount, as the impact of discounting is not significant, and the credit risk has not changed since the loan agreement was signed.

The exposure of the Group's borrowings to interest rate changes and repricing dates at the balance sheet dates are as follows:

SEKm	2012	2011
< 6 months	3,337	3,471
6–12 months	–	–
1–5 years	–	–
> 5 years	–	–
Total	**3,337**	**3,471**

Amounts owed to lease institutions
Finance lease liabilities are specified as follows:

	Fair value		Carrying amount	
SEKm	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Liabilities < 1 year	0	0	0	1
Liabilities 1 – 5 years	–	0	–	0
Liabilities > 5 years	–	–	–	–
	0	0	0	1
Less: future interest	–	0	–	0
Total	**0**	**0**	**0**	**1**

The Group only leases one AS400 server in Leaf Italy S.r.l. and has substantially all the risks and rewards incidental to ownership of the asset. The lease contract expires in 2013.

Currency
All loans are denominated in euros, except for the Term A loan for an amount of SEK 581m (0) and part of Term B Loan for an amount of SEK 363m (363).

Loans from credit institutions
In January 2005, Svenska Handelsbanken AB issued a credit facility of SEK 6,325m with a term of 9 years and 325 days. In February 2007 and March 2007, Svenska Handelsbanken AB issued additional credit facilities of respectively SEK 93m million and SEK 47m with the same maturity date as the original credit facility. As part of the merger, the loans from Svenska Handelsbanken AB have been repaid and consequently renegotiated with new terms at the Cloetta AB (publ) level.

At 15 December 2011, Cloetta AB (publ) entered into a credit facility agreement with Svenska Handelsbanken AB. The agreement is effective as of 16 April 2012 for the Term A Facility and as of 23 May 2012 for the Term B facility.

The Group credit facility relates to:
- Term A loan of SEK 750m which bears interest at 3 months STIBOR plus a margin of 3.5%. At 31 December 2012 the outstanding amount was SEK 581m.
- Term B loan of SEK 363m which bears interest at 3 months STIBOR plus a margin of 3.0%. At 31 December 2012 the outstanding amount was SEK 363m.
- Term B loan of EUR 253m (approx. SEK 2,297m) which bears interest at 3 months EURIBOR plus a margin of 3.0%. At 31 December 2012 the outstanding amount was SEK 1,987m.
- Overdraft facility for a maximum of SEK 740m at the Group level which bears interest at Svenska Handelsbanken's base rate +3.0%. At 31 December 2012, SEK 294m (181m) of this facility was unused.

Under the overdraft facility, 40% of the applicable margin of (3%) is paid annually as a commitment fee.

The following securities have been pledged to Svenska Handelsbanken AB:
- Shares of all group companies except for Cloetta Development AB, Albisol Education & Conference Ltd, Cloetta International AS, Cloetta AS and Leaf United Kingdom Ltd. (SEK 9,432m);
- Floating charges and other pledges of movable assets in Leaf Holland B.V., Leaf België Production N.V., Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB), Leaf Slovakia s.r.o., Cloetta Sverige AB (formerly known as Leaf Sverige AB), , Cloetta Norge AS, Leaf Italia S.r.l., Saila S.p.A and Leaf Suomi Oy (SEK 3,501);
- Pledge of real estate property in Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB), Leaf Slovakia s.r.o., Cloetta Sverige AB (formerly known as Leaf Sverige AB), Leaf Holland B.V., Leaf België Production N.V., and Leaf Italia S.r.l.; (SEK 4,266m);
- Pledges of certain receivables in Leaf Holland B.V. and Leaf Italia S.r.l. (without nominal amount);
- Trademark pledges in Cloetta AB (publ), Leaf Holland B.V., Leaf Suomi Oy, Cloetta Sverige AB (formerly known as Leaf Sverige AB), Leaf Sweden IP AB, Leaf Slovakia s.r.o., Leaf Italia S.r.l. and Saila S.p.A (SEK 3,101m);
- Pledges of intercompany loans between Leaf Holland B.V and Leaf Belgium Production N.V., Leaf Holland B.V. and Leaf Suomi Oy, Leaf Deutschland GmbH and Leaf Suomi Oy, Cloetta Denmark ApS and Cloetta Norge AS and between Cloetta Sverige AB (formerly known as Leaf Sverige AB) and Leaf Sweden IP AB (SEK 1,733m);
- Pledges over contractual rights in Cloetta AB (publ) (without nominal amount);
- Guarantee in Saila S.p.A. (without nominal amount).

Shareholder loan
Yllop Finance Holding SA (formerly known as Leaf Finance AB) furnished Leaf Holland B.V. with a SEK 1,864m loan (corresponding to EUR 205.4m). The interest rate was 14% per annum payable at the end of the term. On 28 April 2011 new terms of the loans were negotiated. The applicable interest rate as of 28 April 2011, was 12.22%.

On 28 April 2011, another amount of SEK 918m (corresponding to EUR 102.8m) was contributed to equity. As part of the merger on 16 February 2012, the payable and receivable balances with Yllop Finance Holding SA were settled against the shareholder loan, directly after which the remaining outstanding shareholder loan of SEK 3,441m (corresponding to EUR 391.9m) was converted into equity.

Effective interest rates
The effective interest rates at the balance sheet date are as follows:
- Loan from credit institutions: 4.20%.

Convertible debenture loan
Cloetta's former SEK 30m convertible debenture loan for the employees ran from 14 May 2009 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. At 16 February 2012 the conversion had resulted in a total increase in the share capital by SEK 2m and the share premium reserve by SEK 9m.

NOTE 24 Derivative financial instruments

SEKm	31 Dec 2012 Assets	31 Dec 2012 Liabilities	31 Dec 2011 Assets	31 Dec 2011 Liabilities
Single currency interest swaps	–	24	–	–
Total	–	24	–	–
Less non-current portion				
Single currency interest swaps	–	3	–	–
Current portion	–	21	–	–

The Group entered into several interest swap contracts to partially cover the interest rate risk on both the SEK denominated loans and EUR denominated loans.

The combined notional principal amounts of the outstanding STIBOR interest rate swap contracts at 31 December 2012 are between SEK 288m and SEK 528m for the period 2013–2014. The fixed interest currency rates on the EUR interest swaps are in the range between 0.460% and 1.480%.

The combined notional principal amounts of the outstanding EURIBOR interest rate swap contracts at 31 December 2012 are between EUR 170m and SEK 206m for the period 2013–2015. The fixed interest currency rates on the EUR interest swaps are in the range between 0.460% and 1.480%.

NOTE 25 Trade and other current liabilities

SEKm	31 Dec 2012	31 Dec 2011
Trade payables	657	490
Other taxes and social securities	107	96
Pension liabilities	5	4
Other liabilities	44	56
Accruals and deferred income	451	392
Total	**1,264**	**1,038**

NOTE 26 Accrued expenses and deferred income

SEKm	31 Dec 2012	31 Dec 2011
Accrued personnel-related expenses	40	59
Accrued bonuses and discounts	129	99
Other accrued expenses and deferred income	282	234
Total	**451**	**392**

NOTE 27 Non-cash items

SEKm	2012	2011
Specification of non-cash items		
Amortisation/depreciation and impairment of assets	235	202
Provisions for pensions	5	–17
Other provisions	–13	–20
Other non-cash items	33	–
Total	**260**	**165**

NOTE 28 Interest

SEKm	2012	2011
Interest paid	–192	–130
Interest received	2	1
Total	**–190**	**–129**

NOTE 29 Financial risks and financial risk management

Through its activities, the Group is exposed it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risks are managed by a central treasury department (group treasury) under policies approved by the Board of Directors. The group treasury department identifies, evaluates and, if applicable, hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. See pages 57–60 of the annual report for a complete overview of risks and risk management. The primary market and financial risks are described in detail below.

Market risk

Currency risk

The Group is primarily active in the European Union and Norway. The Group's currency risk mainly relates to positions and future transactions in euros (EUR), Danish kroner (DKK), Norwegian kroner (NOK), US dollars (USD) and British pounds (GBP).

The Group has major investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the euro-related currency risk by drawing part of the credit facility in euros. This hedge covers part of the currency risk in euros. However, hedge accounting is not applied for this foreign currency hedge as it does not meet the required criteria for applying hedge accounting.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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In the financial year 2012, if the Swedish krona had weakened/strengthened by 10% against the euro with all other variables held constant, post-tax profit for the year would have been SEK 50m higher/lower, as a result of the foreign exchange gains/losses on translation of all euro-denominated trading in Europe and foreign exchange losses/gains on translation of euro-denominated borrowings.

The currency risk attached to the transactions in the other currencies is not significant as the amounts involved are not significant for the total Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities (including loans to credit institutions).

The Group is exposed to the consequences of variable interest rates on liabilities. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the Group.

If the interest rate had been 1 percentage point higher/lower with all other variables held constant, profit before tax for the year would have been SEK 30m lower/higher. The analysis considers the effects of interest rate swaps.

Commodity price risk

The Group is mainly exposed to commodity price risk on its purchases of gelatine, gum arabic, cocoa, sugar, syrups and starches.

At 31 December 2012, if the average raw material prices had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been SEK 70m lower/higher.

As a rule, the central purchasing unit prepurchases the most important raw materials so that they are accessible for a period equal to 6–9 months of production. This also creates predictability in prices and financial outcomes, and cost increases affect Cloetta's purchasing prices at a certain delay. In addition, this makes it possible to avoid temporary price hikes in the commodities market.

Law and taxes

Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to limitations in operations or place new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different countries is not entirely correct or that such rules will be changed, possibly with retroactive effect.

Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectionery taxes and fat taxes often has a short-term impact on sales. However, in the case of Finland, sales eventually returned to the same levels as before the confectionery tax was levied.

Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and the information that is available.

Credit risk

The Group does not have any significant concentrations of credit risk. The Group's customers are subject to a credit policy. Sales are subject to payment conditions which vary per customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within "selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Credit terms for customers are determined individually in the different markets. Concentrations of credit risk with respect to trade receivables are limited, due to the size and diversity of the Group's customer base. The Group's historical experience of collecting receivables is that credit risk is low across all markets.

The Group uses several banks (range of most used banks varies between AA- and A-2 rating) and has several overdraft facilities available.

		Net balance		Overdraft facility	
SEKm	Rating (S&P)	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Svenska Handelsbanken	AA–	–2,822	–2,590	–406	–354
Royal Bank of Scotland	A-1	44	17	–	–
Intesa	A-2	29	18	–	–
Nordea	A-1+	23	2	–	–
Other banks		101	30	–	–
Total		**–2,625**	**–2,523**	**–406**	**–354**

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by group finance. Group finance monitors the actual cash position and rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 23) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the operating entities is transferred to the group treasury department and is used for the Group's internal and external financing activities.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

SEKm	Term < 1 year	Term 1–2 years	Term 2–5 years	31 Dec 2012 Term >5 years
Loans from credit Institutions	865	444	2,355	–
Finance lease liabilities	0	–	–	–
Shareholder loan	–	–	–	–
Other debts	–	–	–	–
Trade and other payables	1,158	–	–	–
Financial guarantee contracts	14	13	–	3
Total	**2,037**	**457**	**2,355**	**3**

The amounts disclosed in the table are the contractual undiscounted cash flows.

SEKm	Term < 1 year	Term 1–2 years	Term 2–5 years	31 Dec 2011 Term >5 years
Loans from credit Institutions	815	448	1,993	–
Finance lease liabilities	1	0	–	–
Shareholder loan	–	–	–	9,630
Other debts	20	–	–	477
Trade and other payables	943	–	–	–
Financial guarantee contracts	3	3	8	22
Total	**1,782**	**451**	**2,001**	**10,129**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management's priority in monitoring capital is to maintain compliance with the debt covenants in the credit agreement with Svenska Handelsbanken. Cloetta actively monitors these and other ratios on a monthly basis. Throughout 2012, the Group was in compliance with the covenant requirements of Svenska Handelsbanken. The debt covenants are an interest covenant, an EBITA/net debt covenant and an equity/total assets covenant. None of these covenants were breached in 2012 or 2011.

Fair value measurement

Equity plan

Before the merger with Cloetta AB (publ), the former LEAF group operated a share-based payment scheme for eligible employees of the LEAF group. These employees participated via the original parent company Yllop Holding S.A. through indirect ownership via the "Stichting Administratiekantoor LEAF Employees" and "Stichting Administratiekantoor LEAF Management" (the "Foundation") or via direct ownership in the underlying shares. In accordance with IFRS 2, this scheme was treated as an equity-settled share-based payment. This means that LEAF determined the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction and recognised immediately, if applicable, an expense for the services received with a corresponding increase in equity. As part of the merger, the share-based payment scheme at the level of Yllop Holding S.A. was fully settled in 2012.

Financial assets and liabilities

The fair value of financial assets and liabilities for disclosure 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 less impairment.

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).

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The following table presents the Group's assets and liabilities that are measured at fair value.

SEKm	Level 1	Level 2	Level 3	31 Dec 2012 Total
Assets				
Financial assets at fair value through profit or loss				
• Single currency interest swap	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss				
• Single currency interest swap	–	24	–	24
Total liabilities	–	24	–	24

SEKm	Level 1	Level 2	Level 3	31 Dec 2011 Total
Assets				
Financial assets at fair value through profit or loss				
• Single currency interest swap	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss				
• Single currency interest swap	–	–	–	–
Total liabilities	–	–	–	–

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 amounts are therefore included in level 2.

The valuation techniques used to value financial instruments are:

- 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.

NOTE 30 Pledged assets and contingent liabilities

SEKm	31 Dec 2012	31 Dec 2011
Contingent liabilities		
Rental guarantees	2	3
Customs & export guarantees	16	33
Bank guarantees	12	0
Other guarantees	0	–
Total contingent liabilities	**30**	**36**

See Note 23 for assets pledged to, by Svenska Handelsbanken.

NOTE 31 Related party transactions

All group companies mentioned in Note P13 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

In the context of this financial report, and aside from the subsidiaries of Cloetta AB, the companies regarded as related parties are AB Malfors Promotor, CVC Capital Partners and Nordic Capital (investors with joint control over Cloetta AB (Publ)), Yllop Holding S.A. (formerly known as Leaf Holding S.A.) and Yllop Finance Holding AB (formerly known as Leaf Finance AB). In April 2012, Yllop Holding S.A.'s holding in the Cloetta Group was divided and transferred to Cidron Pord S.á.r.l., which is owned by Nordic Capital Fund V, and Godis Holdings S.á.r.l. which is owned by funds under the advisorship of CVC Capital Partners. Following this, Cidron Pord S.á.r.l. and Godis Holdings S.á.r.l. are also to be regarded as related parties. The Group has receivables from and liabilities to Yllop Finance Holding AB and Yllop Holding S.A. which have been disclosed in the relevant sections of these financial statements.

The transactions carried out with related parties and the year-end balances are as follows:

Sale and/or purchase of services

The Group did not sell or purchase any goods/services from and to related parties during 2012.

Transactions with key management personnel

For information about salaries and remuneration to the Board of Directors and other senior executives, see Note 6. The Group has no receivables from key management personnel. Liabilities to key management personnel consist of customary personnel-related liabilities.

Year-end balances arising from related party transactions

SEKm	31 Dec 2012	31 Dec 2011
Receivables/(payables) from related parties		
Yllop Holding S.A.	79	44
Yllop Finance Holding AB	9	–222
Total	**88**	**–178**

The receivables from related parties are unsecured in nature and bear an annual average interest rate based on EURIBOR. The transactions resulting in the balances above mainly relate to the settlement of payables and receivables to or from Yllop Holding S.A. and Yllop Finance Holding AB against the shareholder loan at 16 February 2012.

Loans from related parties

SEKm	31 Dec 2012	31 Dec 2011
Yllop Finance Holding AB		
1 January	3,363	3,881
Interest expense	46	429
Settled with current account payable	80	–
Converted into equity	–3,441	–918
Exchange difference	–48	–29
31 December	**–**	**3,363**

Yllop Finance Holding S.A. (formerly known as Leaf Finance AB) furnished Leaf Holland B.V. with a SEK 1,864m loan (corresponding to EUR 205.4m). The interest rate was 14% per annum payable at the end of the term. On 28 April 2011, new terms of the loans were negotiated. The applicable interest rate as of 28 April 2011 was 12.22%.

On 28 April 2011 another amount of SEK 918m (corresponding to EUR 102.8m) was contributed to equity. As part of the merger on 16 February 2012, the payable and receivable balances with Yllop Finance Holding S.A. were settled against the shareholder loan, directly after which the remaining outstanding shareholder loan of SEK 3,441m (corresponding to EUR 391.9m) was converted into equity.

NOTE 32 Operating leases

Recognised expenses for operating leases amount to:

SEKm	2012	2011
Lease charges	50	67
Future annual payment obligations for leased assets in the Group are broken down as follows		
Within one year	40	48
Between one and five years	47	65
More than 5 years	0	0
Total	**87**	**113**

The operating lease commitments mainly consist of the lease of buildings and warehouses with an average contract term of 2 years and of car lease contracts with an average contract term of 4 years.

NOTE 33 Critical accounting estimates and judgements

In preparing the financial statements, management makes estimates and judgements that affect the reported amounts of assets and liabilities, net sales and expenses, and disclosures of contingent liabilities at the date of the financial statements. The estimates and assumptions that are associated with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year as well as critical judgements in applying the Group's accounting policies are discussed below. The accounting estimates and judgements are believed to be reasonable under the circumstances.

The company's management and audit committee have discussed the development, selection and disclosures regarding the Group's critical accounting principles and estimates. The estimates and judgments made in the application of the Group's accounting policies are described below.

Impairment of intangible assets and property, plant and equipment

For the purpose of the impairment testing, assets are allocated to cash-generating units when it is not possible to assess impairment on an individual asset basis. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is to be impaired. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business.

Accounting for income taxes

As part of the process of preparing financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In Italy, the tax authority has carried out an audit regarding LEAF's Italian subsidiary with respect to the financial years 2005–2007. The audit concerns the financing and interest expenses as well as expenses for consultants in relation to acquisitions in Italy that, in the Italian tax authority's view, should have been re-invoiced to the parent company. Furthermore, the tax authority has decided on additional withholding tax that the tax authority claims that the Company shall pay. Leaf Italy has contested the tax authority's decision. The dispute regarding the financial years 2005-2007 is currently pending at the general court. In the share transfer agreement, Leaf Holding has made an undertaking to indemnify Cloetta for tax related claims that might be brought against Cloetta with respect to the proceedings in Italy. This indemnity is limited to an amount of EUR 9,200,000 (corresponding to SEK 79m) and comprises the financial years 2005–2007.

Temporary differences between tax and financial reporting result in deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent, it is probable that all or some portion of the deferred tax assets will not be realised.

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Provisions

By their nature, provisions are dependent on estimates and assessments as to whether the criteria for recognition have been met, including estimates as to the outcome and the amount of the potential cost of resolution. Provisions are recognised by a charge against the profit and loss account when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated.

Provisions for litigation, tax disputes, etc., are based on an estimate of the costs, taking into account legal advice and information currently available. Also provisions for termination benefits and exit costs involve management's judgment in estimating the expected cash outflows for severance payments and site closure or other exit costs. Should the actual outcome differ from the assumptions and estimates, revisions to the estimated provisions would be required, which could impact the Group's financial position and results from operations.

Accounting for pensions and other post-employment benefits

Pension benefits represent obligations that will be settled in the future and require assumptions to project the benefit obligations and fair values of plan assets. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's expected service period, based on the terms of the plans and the investment and funding decisions made by the Group. For calculation of the present value of the pension obligation and the net cost, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries). In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. For details about the key assumptions and policies, see Note 21.

It should be noted that when discount rates decline or rates of future salary increase, the pension benefit obligations will increase.

Capitalisation of development costs

Costs incurred on development projects are recognised as intangible assets when it is probable that a project will be successful in view of its commercial and technological feasibility. Management's judgement is required in determining when the Group should start capitalising development costs. In general, the management has determined that commercial and technological feasibility is, in general, probable when the Group decides to pre-launch a product and the costs can be measured reliably. However, since the development costs incurred by the Group after the pre-launch of a product are considered insignificant, the Group expenses all development costs in the period the expenditure is incurred. Consequently, based on management's judgement, no development costs have been recognised as intangible assets in the consolidated financial statements.

Revenue recognition

The Group has recognised net sales amounting to EUR 22.7m (26.0), corresponding to SEK 197m (235), for seasonal sales of goods to customers in Italy during 2012. The buyers have the right to return the goods if the goods are not sold to consumers. Based on past experience of similar sales, the Group believes that the return rate will not exceed 15.8%. The Group has therefore recognised net sales on these transactions with a corresponding provision against net sales for estimated returns.

NOTE 34 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.

Parent Company profit and loss account

SEKm	Note	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Net sales	P2	72	26
Cost of goods sold	P3, P4, P5, P6	0	–1
Gross profit		**72**	**25**
Other operating income/expense	P2	–2	5
General and administrative expenses	P3, P4, P5, P6	–110	–24
Operating profit		**–40**	**6**
Financial income	P7	94	2
Financial expenses	P7	–56	–3
Net financial items		**38**	**–1**
Profit before tax		**–2**	**5**
Appropriations	P8	4	–2
Income tax expense	P9	–2	–1
Profit for the year		**0**	**2**

Profit for the year corresponds to comprehensive income for the year.

Parent Company balance sheet

SEKm	Note	31 Dec 2012	31 Aug 2011
ASSETS			
Non-current assets			
Intangible assets[1]		0	0
Property, plant and equipment	P10	4	4
Deferred tax asset	P11	4	3
Shareholdings in group companies	P12, P13	4,625	538
Other financial assets	P12	0	5
Total non-current assets		**4,633**	**550**
Current assets			
Trade receivables		0	–
Receivables from group companies	P22	142	27
Current income tax assets	P11	1	–
Other receivables		1	1
Prepaid expenses and accrued income	P14	0	1
Cash and bank	P15	12	53
Total current assets		156	**82**
TOTAL ASSETS		**4,789**	**632**
EQUITY AND LIABILITIES			
Share capital		1,443	122
Share premium reserve		2,713	410
Retained earnings including profit for the year		60	60
Equity	P16	**4,216**	**592**
Untaxed reserves	P23	–	**4**
Non-current liabilities			
Borrowings	P17	343	–
Convertible debenture loan		–	24
Provisions		0	1
Total non-current liabilities		**343**	**25**
Current liabilities			
Borrowings	P17	214	–
Trade payables	P18	4	2
Other current liabilities	P18	1	1
Accrued expenses and deferred income	P18, P19	11	7
Current income tax liabilities	P11	–	1
Total current liabilities		**230**	**11**
TOTAL EQUITY AND LIABILITIES		**4,789**	**632**
Pledged assets	P21	4,623	–
Contingent liabilities	P21	2,945	84

1) Intangible assets consist of brands acquired from Cloetta Fazer AB at 29 August 2008. The historical cost amounts to SEK 286.

Parent Company cash flow statement

SEKm	Note	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Operating result		**–40**	**6**
Adjustments for non-cash items	P20	–1	–3
Interest received		6	2
Interest paid		–47	–3
Income tax paid		–2	–2
Cash flow from operating activities before changes in working capital		**–84**	**0**
Cash flow from changes in working capital			
Change in operating receivables		30	–1
Change in operating liabilities		6	–
Cash flow from operating activities		**–48**	**–1**
Investing activities			
Acquisition of subsidiaries		–1,531	–
Acquisition/sale of short-term investments		4	–
Cash flow from investing activities		**–1,527**	**0**
Financing activities			
Repayment of interest-bearing borrowings		–182	–
Proceeds from borrowings (net of financing cost)		661	–
New share issue		1,055	–
Dividends to shareholders		–	–18
Cash flow from financing activities		**1,534**	**–18**
Cash flow for the year		**–41**	**–19**
Cash and cash equivalents at beginning of year		**53**	**72**
Cash flow for the year	P15	–41	–19
Exchange differences		–	0
Cash and cash equivalents at end of year	P15	**12**	**53**
Cash, cash equivalents and short-term investments < 3 months	P15	12	53
Short-term investments > 3 months	P15	–	–

Parent Company statement of changes in equity

SEKm	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 September 2010	**121**	**405**	**76**	**602**
Comprehensive income				
Profit for the year	–	–	2	2
Other comprehensive income	–	–	–	–
Currency translation difference	–	–	–	–
Total comprehensive income for 2010/2011	**–**	**–**	**2**	**2**
Transactions with owners				
Dividends	–	–	–18	–18
Conversion	1	5	–	6
Total transactions with owners	**1**	**5**	**–18**	**–12**
Balance at 31 August 2011	**122**	**410**	**60**	**592**
Comprehensive income				
Net result for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Currency translation difference	–	–	–	–
Total comprehensive income for 2011/2012	**–**	**–**	**–**	**–**
Transactions with owners				
Rights Issue	494	563	–	1,057
Issue in kind of C shares, acquisition of Leaf Holland B.V.	826	1,730	–	2,556
Conversion	1	10	–	11
Total transactions with owners	**1,321**	**2,303**	**–**	**3,624**
Balance at 31 December 2012	**1,443**	**2,713**	**60**	**4,216**

Profit for the year corresponds to comprehensive income for the year.

Total equity is attributable to the owners of the Parent Company.

Notes to the Parent Company financial statements

NOTE P1 Accounting and valuation policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The statements issued by the Board with respect to listed companies are also applied. RFR 2 states that in the report for the legal entity, the Parent Company shall apply all EU-endorsed IFRSs and statements as far as possible, within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared to IFRS. These financial statements include the financial statements of the Parent Company covering the period from 1 September 2011 to 31 December 2012 in accordance with the Parent Company's financial year. The comparative figures for the Parent Company cover the period from 1 September 2010 to 31 August 2011. As a result, the amounts presented in the Parent Company financial statements are not entirely comparable.

CHANGED ACCOUNTING STANDARDS

The revised IFRSs, new and revised IFRIC interpretations effective as of 1 September 2011 and the early adoption of RFR 2 (September 2012) and IAS 19 (revised 2011) that have been adopted prior to their mandatory implementation date by the Group have not entailed any practical change of accounting standards for the Parent Company. The accounting policy for group contributions has changed, but since the Parent Company did not receive or pay any group contributions in the prior financial year, the change had no effect on the comparatives and no restatement of the comparatives is applicable. The new accounting policy for group contributions is described below under the heading "Group contributions".

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES OF THE GROUP AND THE PARENT COMPANY

The differences between the accounting principles applied by the Group and the Parent Company are described below. The following accounting standards for the Parent Company have been applied consistently for all periods presented in the Parent Company financial statements.

Classification and presentation

the profit and loss account and balance sheet of the Parent Company are presented in accordance with the Swedish Annual Accounts Act. The differences compared to IAS 1, Presentation of Financial Statements, refer mainly to financial income and expenses, equity and the presence of provisions as a separate item in the balance sheet.

Subsidiaries

In the Parent Company, shareholdings in subsidiaries are accounted for in accordance with the cost method of accounting. This means that transaction costs are included in the carrying amount of shareholdings in subsidiaries. In the consolidated financial statements, transaction costs are expensed as incurred. The value of a contingent consideration is measured based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/reduce the historical cost. In the consolidated financial statements, contingent consideration is measured at fair value with changes through profit or loss.

Group contributions

group contributions received are recognised through the profit and loss account in the same manner as dividends received in accordance with RFR 2, IAS 18.3. Group contributions paid to subsidiaries are reported by the Parent Company as an investment in participations in group companies in accordance with RFR 2, IAS 27.1-2.

Income taxes

in the Parent Company balance sheet, untaxed reserves are recognised with no division between equity and deferred tax liabilities, in contrast to the Group. Correspondingly, no portion of appropriations is allocated to deferred tax expense in the Parent Company profit and loss account.

Employee benefits

the Parent Company has pension plans of two types:

- Defined contribution pension plans in which the Parent Company pays fixed premiums to different insurance companies.
- Defined benefit pension plans that refer primarily to the ITP plan for salaried employees. The company expenses the pension obligation, which is secured through credit insurance with and administered by Försäkringsbolaget PRI Pensionsgaranti, Mutual. Calculation of the defined benefit obligation differs from the assumptions used by the Group in accordance with IFRS mainly in the following ways:
  - The calculation does not take into account future salary increases
  - The applied discount rate is established by the Swedish Financial Supervisory Authority

Anticipated dividends

anticipated dividends from subsidiaries are recognised in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Borrowing costs

in the Parent Company, borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised as part of the cost of an asset.

Financial guarantees

the Parent Company's financial guarantee contracts consist primarily of guarantees issued on behalf of subsidiaries, joint ventures and associated companies. A financial guarantee contract means that the company has an obligation to reimburse the holder of a debt instrument for losses it incurs because a specified debtor fails to make payment when due. For reporting of financial guarantee contracts, the Parent Company applies a voluntary exemption that is permitted by the Swedish Financial Reporting Board compared to the rules in IAS 39. The voluntary exemption refers to financial guarantees issued on behalf subsidiaries, joint ventures and associated companies. The Parent Company recognises financial guarantee contracts as provisions in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation.

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NOTE P2 Breakdown of operating income

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Net sales		
Service contracts	72	26
Other operating income		
Other	–	5
Total operating income	**72**	**31**

The breakdown of net sales by market is as follows:

%	1 Sep 2011 – 31 Dec 2012
Finland	12
Sweden	47
The Netherlands	8
Italy	16
Other	17
Total revenue	**100**

NOTE P3 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Other intangibles	–	0
Property, plant and equipment	0	0
Total amortisation/depreciation	**0**	**0**
Amortisation/depreciation has been allocated by function as follows		
Cost of goods sold	–	–
Selling expenses	–	–
Administrative expenses	0	0
Total amortisation/depreciation	**0**	**0**

NOTE P4 Personnel expenses and number of employees

Personnel expenses are specified as follows:

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Salaries and remuneration		
Senior executives		
– Sweden	18	7
– Other	–	–
Of which, bonuses		
– Sweden	0	0
– Other	–	–
Other employees		
– Sweden	3	1
– Other	–	–
Total salaries and remuneration	**21**	**8**
Pension costs		
Senior executives		
– Defined contribution plans	5	3
– Defined benefit plans	0	0
Other employees		
– Defined contribution plans	1	0
– Defined benefit plans	0	0
Total pension costs	**6**	**3**
Other social security expenses, all	7	3
Total pension costs and other social security expenses	**13**	**6**
Total personnel expenses	**34**	**14**

The average number of employees is as follows:

	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Average number of employees		
– Sweden	6	4
– Other	–	–
Of whom, women		
– Sweden	3	2
– Other	–	–

The specification of gender distribution in company management is as follows:

%	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Percentage of women		
Board of Directors	36	50
Other senior executives[1]	20	33

1) Refers to the Group Management Team and the local management teams.

NOTE P5 Remuneration to senior executives

Remuneration and benefits in 1 September 2011 – 31 December 2012 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	**Total**	Pension obligations
Board Chairman							
Olof Svenfelt[1]	150	–	–	–	23	173	–
Lennart Bylock[2]	400	–	–	–	120	520	–
Board members							
Håkan Kirstein[2]	200	–	–	–	–	200	–
Hans Eckerström[2]	200	–	–	–	200	400	–
Adriaan Nühn[2]	200	–	–	–	–	200	–
Robert-Jan van Ogtrop[2]	200	–	–	–	40	240	–
Peter Törnquist	200	–	–	–	160	360	–
Olof Svenfelt[2]	200	–	–	–	80	280	–
Mikael Svenfelt	331	–	–	–	143	474	–
Lennart Bohlin[1]	131	–	–	–	15	146	–
Ulrika Stuart Hamilton[1]	131	–	–	–	15	146	–
Johan Hjertonsson[1]	131	–	–	–	–	131	–
Meg Tivéus	331	–	–	–	103	434	–
Lena Grönedal	35	–	–	–	–	35	–
Birgitta Hillman	35	–	–	–	–	35	–
Birgitta Junland	35	–	–	–	–	35	–
Linus Ekegren	35	–	–	–	–	35	–
President							
Bengt Baron	4,119	–	80	1,277	–	5,476	744
Curt Petri[1]	3,474	–	68	2,116	–	5,658	10,683
Other senior executives[3]	9,985	–	323	1,808	–	12,116	569
Total	**20,523**	**–**	**471**	**5,201**	**899**	**27,094**	**11,996**
Of which, Parent Company	20,523	–	471	5,201	899	27,094	

Remuneration and benefits in 1 September 2010 – 31 August 2011 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligations
Board Chairman							
Olof Svenfelt	200	–	–	–	30	230	–
Board members							
Mikael Svenfelt	175	–	–	–	30	205	–
Lennart Bohlin	175	–	–	–	20	195	–
Ulrika Stuart Hamilton	175	–	–	–	20	195	–
Johan Hjertonsson	175	–	–	–	–	175	–
Meg Tivéus	175	–	–	–	30	205	–
President							
Curt Petri[1]	2,985	–	131	1,496	–	4,612	8,725
Other senior executives[3]	9,848	–	677	2,547	–	13,072	1,016
Total	**13,908**	**–**	**808**	**4,043**	**130**	**18,889**	**9,741**
Of which, Parent Company	6,935	–	309	2,445	130	9,819	9,015

1) Included until the date of the merger on 15 February 2012. On this date, Olof Svenfelt resigned as Chairman and Lennart Bohlin, Ulrika Stuart Hamilton, Johan Hjertonsson resigned as Board members. On 16 February 2012, Curt Petri was succeeded by President Bengt Baron.
2 Included from the date of the merger on 15 February 2012 when the new Board was elected.
3) Up till 16 february 2012, the number of other senior executives was 10. As of 16 February 2012 it was 9 and as of 1 May 2012 it was 10.

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NOTE P6 Audit fees

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Fees for auditing services		
PwC	–	–
KPMG	2	1
Total auditing services	2	1
Fees for other services		
KPMG		
– Tax advice	7	–
– Audit-related advice	2	1
– Other	7	–
PwC		
– Tax advice	–	–
– Audit-related advice	–	–
– Other	1	–
Total other services	17	1
Total audit fees	19	2

Auditing services refer to the auditing of the annual financial statements, the accounts and the company's administration by the Board of Directors and the President and advice or other assistance prompted by observations from such audits or the performance of other such tasks.

NOTE P7 Net financial items

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Result from shareholdings in group companies	0	–
Group contributions	88	–
Interest income, group companies	4	1
Interest income on bank balances	2	1
Other financial income	94	2
Interest expense and similar profit/loss items	–6	–
Interest expenses, group companies	–3	–
Net foreign exchange losses	0	–
Interest expenses on defined benefit pension obligations	0	–
Interest expenses on financial liabilities measured at amortised cost	–41	–3
Other interest expenses	–6	–
Financial expenses	–56	–3
Net financial items	–38	–1

NOTE P8 Appropriations

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Change in tax allocation reserve	4	–2
Difference between planned depreciation sand book depreciation	0	0
Total	4	–2

NOTE P9 Income taxes

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Current income tax	0	–2
Deferred income tax	–2	1
Total	–2	–1
The year's income tax expense corresponds to an effective tax rate of, %	72.3	28.7

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the company as follows:

SEKm	1 Sep 2011 – 31 Dec 2012	1 Sep 2010– 31 Aug 2011
Taxable profit from ordinary activities	2	3
Tax calculated at applicable tax rate for the Parent company	0	–1
Expenses not deductible for tax purposes	1	–
Other	1	–
Tax (benefit)/expense	2	–1
Reported effective tax rate, %	72.3	28.7
Tax rate in Sweden, %	26.3	26.3

NOTE P10 Property, plant and equipment

SEKm, historical cost	Land and buildings	Machinery and equipment	Total
1 September 2010			
Acquisition or production costs	4	–	4
Accumulated amortisation and impairments	–	–	–
Book value at 1 September 2010	**4**	**–**	**4**
Movements in 2010/2011			
Depreciation	–	–	–
	–	–	–
31 August 2011			
Acquisition or production costs	4	–	4
Accumulated amortisation and impairments	–	–	–
Book value at 31 August 2011	**4**	**–**	**4**
Movements in 2011/2012			
Depreciation	–	–	–
	–	–	–
31 December 2012			
Acquisition or production costs	4	–	4
Accumulated amortisation and impairments	–	–	–
Book value at 31 December 2012	**4**	**–**	**4**

NOTE P11 Deferred and current income tax

The split between deferred tax assets and liabilities can be made as follows:

SEKm	31 Dec 2012	31 Aug 2011
Deferred tax assets	4	3
Total	**4**	**3**

Deferred tax assets refers, among other things, to the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

The amounts are as follows:

SEKm	31 Dec 2012	31 Aug 2011
Deferred tax asset to be realised after more than 12 months	4	3
Deferred tax asset to be realised within 12 months	–	0
Total	**4**	**3**

The composition of deductible temporary differences (recognised as well as unrecognised) and unutilised tax loss carryforwards is as follows:

	31 Dec 2012		31 Aug 2011	
SEKm	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	3	–	–	–
Unused tax credits	–	–	–	–
Tax loss carryforwards	1	–	–	–
Total	**4**	**–**	**–**	**–**

For the unrecognised deductible temporary differences, unused tax credits and tax loss carryforwards, it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction. While judging this probability, management took into account all intended tax planning strategies, financial forecast figures and prior year taxable income.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax base of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

The Group has taxable temporary differences for which a deferred tax liability is recognised, as the Group will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will be reversed in the foreseeable future.

The split between the current tax assets and liabilities can be made as follows:

SEKm	31 Dec 2012	31 Aug 2011
Current income tax receivables	1	0
Current income tax liabilities	–	0
Total	**1**	**0**

NOTE P12 Non-current financial assets

SEKm	31 Dec 2012	31 Aug 2011
Financial assets		
Non-current receivable relating to the demerger, see Note 3	–	5
Employee benefit assets measured at fair value in accordance with IAS 19		
Endowment insurances	–	–
Closing balance at end of year	**–**	**5**

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Movements in financial fixed assets are as follows:

Historical cost SEKm	Receivable related to demerger from Fazer	Shareholdings in group companies	Total
1 September 2010			
Acquisition or production costs	–	538	538
Accumulated amortisation and impairments	–	–	–
Book value at 1 September 2010	**0**	**538**	**538**
Movements in 2010/2011			
Additions	5	–	5
	5	**–**	**5**
31 August 2011			
Acquisition or production costs	5	538	543
Accumulated amortisation and impairments	–	–	–
Book value at 31 August 2011	**5**	**538**	**543**
Movements in 2011/2012			
Acquisitions	–	4,087	4,087
Divestments	–4	–	–4
Impairments	–1	–	–1
	–5	**4,087**	**4,082**
31 December 2012			
Acquisition or production costs	–	4,625	4,625
Accumulated amortisation and impairments	–	–	–
Book value at 31 December 2012	**–**	**4,625**	**4,625**

See Note P13 for specification of subsidiaries.

The fair values of other non-current receivables approximate their carrying value.

None of the different classes of non-current receivables contain impaired assets. There is no credit risk exposure at 31 December 2012. The company does not hold any collateral as security. The fair value of the shareholdings in group companies is approximately equal to its carrying amount.

NOTE P13 Shareholdings in group companies

SEKm	Corp. ID no.	Domicile	% of capital 2012	% of capital 2011	Carrying amount 2012	Carrying amount 2011
Leaf Holland B.V.[1]	34221053	Amsterdam, the Netherlands	100	–	4,087	–
Leaf België Production N.V.[1]	0404183756	Turnhout, Belgium	100	–	–	–
Leaf Belgium Distribution N.V.[1,2]	0438814934	Lier, Belgium	–	–	–	–
Cloetta Denmark ApS (formerly known as Leaf Danmark ApS)[1]	28106866	Brøndby, Denmark	100	–	–	–
Leaf Danmark Ejendomsselskab ApS[1,3]	34093105	Slagelse, Denmark	–	–	–	–
Leaf Suomi Oy[1]	1933121-3	Turku, Finland	100	–	–	–
Leaf Leasing Oy[1]	1905987-0	Turku, Finland	100	–	–	–
Karikkikatu Oy, Turku[1]	0723577-7	Turku, Finland	100	–	–	–
Leaf Deutschland GmbH[1]	HRB 9561	Bocholt, Germany	100	–	–	–
Leaf Italy S.r.l.[1]	CR - 163489	Cremona, Italy	100	–	–	–
Saila S.p.A.[1]	03903510968	Silvia Marina, Italy	100	–	–	–
Cloetta Norge AS (formerly known as Leaf Norge AS)[1]	987 943 033	Høvik, Norway	100	–	–	–
Cloetta International AS	911 167 271	Askim, Norway	100	100	–	–
Cloetta A/S	967 897 167	Askim, Norway	100	100	–	–
Leaf Finance Holland B.V. [1]	20078943	Amsterdam, the Netherlands	100	–	–	–
Leaf Slovakia s.r.o.[1]	35 962 488	Bratislava, Slovakia	100	–	–	–
Leaf Baltics AS[1,4]	10110356	Tallinn, Estonia	–	–	–	–
OOO LEAF[1,5]	001791782	Saint Petersburg, Russia	–	–	–	–
Leaf United Kingdom Ltd., in liquidation	5369788	Southport, United Kingdom	100	–	–	–
Cloetta Produktion Sverige AB (formerly known as Cloetta Sverige AB)	556226-4514	Linköping, Sweden	100	100	532	528
Cloetta Sverige AB (formerly known as Leaf Sverige AB)[1]	556674-9155	Malmö, Sweden	100	–	–	–
Leaf Sverige IP AB[1]	556877-0092	Malmö, Sweden	100	–	–	–
Cloetta International AB[8]	556189-9641	Linköping, Sweden	–	100	–	–
Candelia Polly AB[8]	556282-6957	Linköping, Sweden	–	100	–	–
Gig AB[8]	556373-6130	Linköping, Sweden	–	100	–	–
AB Karamellpojkarna	556063-3223	Alingsås, Sweden	100	100	4	4
Karamellpojkarna Sälj AB[6]	556238-0609	Alingsås, Sweden	–	100	–	–
Cloetta Development AB	556377-3182	Linköping, Sweden	100	100	2	2
Albisol Education & Conference Ltd	–	Gibraltar, UK	100	100	–	–
Cloetta Invest AB[8]	556010-3839	Linköping, Sweden	–	100	–	3
Cloetta Holding AB (formerly known as Prosilio AB)[7]	556243-2103	Linköping, Sweden	–	100	–	–
Kavalleristen AB[8]	556185-7110	Linköping, Sweden	–	100	–	1
Choklad-Thule AB[8]	556308-8193	Linköping, Sweden	–	100	–	0
AB Jaeger Peps Candy Co[8]	556369-5146	Linköping, Sweden	–	100	–	0
					4,625	538

1 On 16 February 2012, Cloetta AB acquired Leaf Holland B.V. and its subsidiaries from Yllop Holding S.A. (formerly known as Leaf Holding S.A.).
2 Divested on 22 February 2012 to Katjes International GmbH & Co KG in Germany.
3 On 31 May 2012, Leaf Denmark Ejendomsselskab ApS was sold to LH Holding Slagelse ApS through a transfer of shares.
4 Leaf Baltics AS was liquidated on 15 February 2012.
5 OOO LEAF was liquidated on 27 August 2012.
6 Karamellpojkarna Sälj AB merged into AB Karamellpojkarna on 10 October 2012.
7 Cloetta Holding AB merged into Cloetta Invest AB on 4 October 2012.
8 AB Jaeger Peps Candy Co, Choklad-Thule AB, Kavalleristen AB, Cloetta Invest AB, Candelia Polly AB, Gig AB and Cloetta International AB merged into Cloetta Sverige Produktion AB on 10 October 2012 and 5 December 2012.

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NOTE P14 Prepaid expenses

The breakdown of prepaid expenses and accrued income is as follows:

SEKm	31 Dec 2012	31 Aug 2011
Prepaid personnel-related expenses	–	0
Prepaid rents, insurance and lease charges	–	0
Other prepaid expenses	0	0
Accrued interest	–	1
Other accrued income	–	–
Closing balance at end of year	**0**	**1**

NOTE P15 Cash and cash equivalents

The item cash and cash equivalents in the cash flow statement consists of the following:

SEKm	31 Dec 2012	31 Aug 2011
Specification of cash and cash equivalents		
Cash and bank balances	12	53
Short-term investments, equated with cash and cash equivalents	–	0
Closing balance at end of year	**12**	**53**

All cash and bank balances are available on demand.

NOTE P16 Equity

Share capital

The number of shares authorised, issued and fully paid at 31 December 2012 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

The number of shares outstanding at the beginning and the end of the period is as follows:

1 September 2010	**24,119,196**
Conversion of convertible loan	199,990
31 August 2011	**24,319,186**
Conversion of convertible loan	330,834
Directed new share issue	165,186,924
Rights issue	98,745,900
31 December 2012	**288,619,299**

Non-restricted equity

Share premium reserve

On 16 February 2012, Cloetta completed its acquisition of Leaf Holding B.V. Part of the purchase price was paid through the issue in kind of Cloetta class C shares. Furthermore, in 2012 Cloetta carried out a rights issue of approximately SEK 1,050m to finance the acquisition. Cloetta also issued shares in 2012 under a convertible loan programme for its employees. These newly issued shares have led to an increase of SEK 2,303m in the share premium reserve, where SEK 1,730m is related to the issue of C shares, SEK 563m is related to the rights issue and SEK 10m is a result of shares issued under the convertible loan programme.

Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the share premium reserve represent the amount of non-restricted equity available for distribution to the shareholders.

Convertible debenture loan

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

For more detailed information about the long-term targets, dividend policy and dividend distribution, see Note 19.

NOTE P17 Borrowings

SEKm	Remaining term < 1 year	Remaining term 1 – 5 years	Remaining term > 5 years	31 Dec 2012 Total remaining term > 1 years
Loans from credit institutions	214	343	–	343
Convertible debenture loan	–	–	–	–
Total	**214**	**343**	**–**	**343**

SEKm	Remaining term < 1 year	Remaining term 1 – 5 years	Remaining term > 5 years	31 Dec 2011 Total remaining term > 1 years
Loans from credit institutions	–	–	–	–
Convertible debenture loan	–	24	–	24
Total	**–**	**24**	**–**	**24**

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

See Note 23 for full disclosure of the loans from credit institutions.

NOTE P18 Trade and other payables

SEKm	31 Dec 2012	31 Aug 2011
Trade payables	4	2
Other taxes and social security expenses	1	1
Pension liabilities	–	–
Other payables	–	–
Accruals and deferred income	11	7
Total	**16**	**10**

NOTE P19 Accrued expenses and deferred income

SEKm	31 Dec 2012	31 Aug 2011
Accrued personnel-related expenses	5	4
Other accrued expenses and deferred income	6	3
Total	**11**	**7**

NOTE P20 Non-cash items

SEKm	31 Dec 2012	31 Aug 2011
Specification of non-cash items		
Amortisation/depreciation and impairment of assets	0	0
Capital gains/losses on the sale of non-current assets	–	0
Unrealised foreign exchange gains/losses	2	0
Provisions for pensions	0	0
Other provisions	–	0
Other non-cash items	–3	–3
Total	**–1**	**–3**

NOTE P21 Pledged assets and contingent liabilities

SEKm	31 Dec 2012	31 Aug 2011
Pledged assets		
Shares in subsidiaries	4,623	None
Total	**4,623**	**None**

SEKm	31 Dec 2012	31 Aug 2011
Contingent liabilities		
Guarantees on behalf of subsidiaries	190	84
Bank guarantees	0	–
Guarantee for group loan	2,755	–
Total contingent liabilities	**2,945**	**84**

See Note 23 for a description of assets pledged to Svenska Handelsbanken.

NOTE P22 Related party transactions

The Parent Company's holdings of shares and participations in subsidiaries are specified in Note P13. Receivables from and liabilities to subsidiaries are broken down as follows:

SEKm	31 Dec 2012	31 Aug 2011
Current interest-bearing receivables	65	24
Current interest-free receivables	77	3
Total	**142**	**27**

For the Parent Company, SEK 72m (26), equal to 100% (100) of the year's net sales, and SEK 41m (0), equal to 37% (2) of the year's purchases, refer to subsidiaries in the Cloetta Group. The prices of goods and services sold to and purchased from related parties are set on market-based terms.

NOTE P23 Untaxed reserves

Accumulated excess depreciation

SEKm	1 Sep 2011–31 Dec 2012	1 Sep 2010–31 Aug 2011
Equipment		
Opening balance	**0**	**0**
The year's excess depreciation	0	0
Sales and disposals	–	–
Closing balance at end of year	**0**	**0**
Tax allocation reserves		
Provision for 2010 tax assessment	–	1
Provision for 2011 tax assessment	–	1
Provision for 2012 tax assessment	–	2
Closing balance at end of year	**–**	**4**
Total untaxed reserves	**–**	**4**

NOTE P1 NOTE P2 NOTE P3 NOTE P4 NOTE P5 NOTE P6 NOTE P7 NOTE P8 NOTE P9 NOTE P10 NOTE P11 NOTE P12 NOTE P13 NOTE P14 NOTE P15 NOTE P16 NOTE P17 NOTE P18 NOTE P19 NOTE P20 NOTE P21 NOTE P22 NOTE P23

Proposed appropriation of earnings

Earnings in the Parent Company at the disposal of the Annual General Meeting

Retained Earnings, SEK	2,771,905,619
Profit for the year, SEK	584,546
Total, SEK	**2,772,490,165**

The Board of Directors proposes that no dividends will be paid and that the full earnings be carried forward to new account. The earnings are to be disposed of as follows:

To be distributed to the shareholders, SEK	0
to be carried forward to new account, SEK	2,772,490,165
Total, SEK	**2,772,490,165**

The number of shares at 31 December 2012 was 288,619,299.

The Board of Directors and the President give their assurance that the consolidated financial statements and annual report have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, on the Application of International Accounting Standards and Generally Accepted Accounting Standards, and give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives 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, 7 March 2013

Lennart Bylock
Chairman

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

Our audit report was issued on 7 March 2013.

KPMG AB

Helene Willberg
Authorised Public Accountant

The profit and loss accounts and balance sheets of the Group and the Parent Company are subject to approval by the Annual General Meeting on 11 April 2013. The information in this report is subject to the disclosure requirements of Cloetta AB (publ) under the provisions in the Swedish Securities Market Act. The information was submitted to the media for publication on 15 March 2013, at 11:00 a.m. CET.

Audit report

To the annual meeting of the shareholders of Cloetta AB (publ), corporate identity number 556308-8144

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Cloetta AB (publ). The financial year for the parent company runs from 1 September 2011 to 31 December 2012 and for the consolidated accounts is equal to the 2012 calendar year. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 53–130.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of share-holders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Cloetta AB (publ) for the financial year 1 September 2011 to 31 December 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 7 March 2013
KPMG AB

Helene Willberg
Authorised Public Accountant

Five-year overview

SEKm	2012 1 Jan–31 Dec	2011 1 Jan–31 Dec	2010 1 Jan–31 Dec	2009 1 Jan–31 Dec	2008 1 Jan–31 Dec
Profit and loss account in summary					
Net sales	4,859	4,658	5,019	5,486	5,256
Cost of goods sold	–3,157	–2,911	–3,058	–3,422	–3,198
Gross profit	**1,702**	**1,747**	**1,961**	**2,064**	**2,058**
Other operating income	13	1	16	0	5
Selling expenses	–888	–915	–992	–1,019	–987
General and administrative expenses	–702	–473	–471	–503	–567
Operating profit	**125**	**360**	**514**	**542**	**509**
Exchange differences in borrowings and cash and cash equivalents in foreign currencies	20	–12	–13	–63	–27
Other financial income	5	11	5	3	11
Other financial expenses	–290	–599	–634	–677	–712
Net financial items	**–265**	**–600**	**–642**	**–737**	**–728**
Profit before tax	**–140**	**–240**	**–128**	**–195**	**–219**
Income tax expense	67	172	–211	22	–83
Profit for the period for continuing operations	**–73**	**–68**	**–339**	**–173**	**–302**
Profit after tax from discontinued operations	0	0	0	0	–14
Net profit for the period	**–73**	**–68**	**–339**	**–173**	**–316**
Profit for the period attributable to:					
Owners of the Parent Company	–73	–68	–339	–173	–316
Balance sheet in summary					
Intangible assets	5,099	4,811	4,822	5,383	5,646
Property, plant and equipment	1,611	1,318	1,333	1,623	1,831
Deferred tax asset	473	447	207	258	286
Other financial assets	88	261	147	45	34
Total non-current assets	**7,271**	**6,837**	**6,509**	**7,309**	**7,797**
Inventories	773	640	566	631	726
Current receivables	955	1,053	1,199	1,313	1,313
Cash and cash equivalents	306	97	220	245	177
Total current assets	**2,034**	**1,790**	**1,985**	**2,189**	**2,216**
Assets held for sale	35	15	0	0	0
Total assets	**9,340**	**8,642**	**8,494**	**9,498**	**10,013**
Equity	**3,326**	**–385**	**–1,117**	**–619**	**–725**
Non-current borrowings	2,516	6,077	6,826	7,224	7,985
Deferred tax liability	824	728	714	789	870
Derivative financial instruments	3	0	0	0	0
Other provisions	463	274	251	278	283
Total non-current liabilities	**3,806**	**7,079**	**7,791**	**8,291**	**9,138**
Current borrowings	747	747	642	680	333
Derivative financial instruments	21	0	0	0	0
Current liabilities	1,361	1,141	1,100	1,080	1,191
Provisions	79	60	78	66	76
Total current liabilities	**2,208**	**1,948**	**1,820**	**1,826**	**1,600**
Total equity and liabilities	**9,340**	**8,642**	**8,494**	**9,498**	**10,013**

Key ratios per share

	2012 1 Jan–31 Dec	2011 1 Jan–31 Dec	2010 1 Jan–31 Dec	2009 1 Jan–31 Dec	2008 1 Jan–31 Dec
Profit					
Net sales, SEKm	4,859	4,658	5,019	5,486	5,256
Net sales, growth, %	4.3	n/a	n/a	n/a	n/a
Underlying net sales, SEKm	5,028	5,242	n/a	n/a	n/a
Underlying net sales, growth, %	–4.1	n/a	n/a	n/a	n/a
Gross margin, %	35.0	37.5	39.1	37.6	39.2
Underlying EBITA, SEKm	439	548	n/a	n/a	n/a
Underlying EBITA margin, %	8.7	10.5	n/a	n/a	n/a
Underlying EBITDA, SEKm	618	717	n/a	n/a	n/a
Underlying EBITDA margin, %	12.3	13.7	n/a	n/a	n/a
Underlying EBIT, SEKm	438	540	n/a	n/a	n/a
Underlying EBIT margin, %	8.7	10.3	n/a	n/a	n/a
Operating profit (EBIT), SEKm	125	360	514	542	509
Operating profit margin (EBIT margin), %	2.6	7.8	10.3	9.9	9.7
Profit margin, %	–2.9	–5.1	–3.3	–3.6	–4.2
Financial position					
Working capital, SEKm	367	552	665	864	848
Operational working capital, SEKm	941	1,035	1,105	1,282	1,379
Capital expenditure, SEKm	–269	–224	–97	–107	–101
Net debt, SEKm	3,056	2,827	3,070	3,812	4,371
Capital employed, SEKm	3,739	7,048	7,699	8,153	8,570
Return on capital employed, %	2.4	5.0	6.6	6.5	6.8
Equity/assets ratio, %	35.6	–4.5	–13.2	–6.5	–7.2
Net debt/equity ratio, %	0.9	–7.3	–2.7	–6.2	–6.0
Return on equity, %	–2.2	n/a	n/a	n/a	n/a
Cash flow					
Cash flow from operating activities, SEKm	330	492	379	540	365
Investments in non-current assets, SEKm	–1,506	–335	–83	–121	–140
Cash flow after investments, SEKm	–1,176	157	296	419	225
Cash conversion, %	54.9	68.9	n/a	n/a	n/a
Employees					
Average number of employees	2,579	2,192	2,275	2,309	2,392
Share data					
Earnings per share, basic and diluted, SEK[1]	–0.26	–0.26	n/a	n/a	n/a
Number of shares at end of period[2]	288,619,299	262,137,526	n/a	n/a	n/a
Average numbers of shares[2]	276,132,021	262,137,526	n/a	n/a	n/a

1) The comparative earnings per share are not representative for the current group due to a completely different equity structure before the merger between Cloetta and LEAF.
2) The number of shares for the comparative figures has been restated with respect to the rights issue.
For definitions, see page 136.

Cloetta's history is full of legendary brands

The Cloetta brothers, 1862–1917

In 1862 the three Swiss Cloetta brothers, Bernard, Christoffer and Nutin Cloëtta, founded the company "Brødrene Cloëtta" for manufacturing of chocolate and confectionery in Copenhagen, Denmark. The brothers later moved their manufacturing to Sweden and the company was owned by the Cloetta family until 1917, when the Svenfelt family took over the majority shareholding in Cloetta via the newly formed Svenska Chokladfabriks AB. The Svenfelt family has major ownership interests in Cloetta to this day.

1900–1913, industrialisation can be exploited

Electrification and railway construction accelerated the pace of industrialisation, a critical enabler for businesses like the Swedish companies Ahlgrens and Cloetta, which were active in industrial production of confectionery. Läkerol was launched in 1909 and Guldnougat in 1913. Läkerol was also launched in Denmark in 1910 and Norway in 1912. In the Netherlands, the pastille brand King was launched in 1902.

The 1930–40s, a heyday for the launch of strong brands at Cloetta

Malaco (Malmö Lakrits Compani) was founded in 1934 during the period between the two world wars. Sportlunch (then called Mellanmål) was launched in 1937, as was Saila in Italy. Kexchoklad was introduced in 1938 and Center in 1941. Plopp was launched after WWII in 1949.

1800s — 1900s — 1920s — 1930s — 1940s

Cloetta's oldest brands date from the 1800s

In 1836 Sperlari was launched in Italy, and in 1878 Venco was launched in the Netherlands.

The roaring twenties

The confectionery industry grew after the war. The slogan "Choose right – choose Cloetta" was created in 1921. In 1928 Sisu was launched in Finland, Red Band in the Netherlands and Tarragona in Sweden.

1934 sees launch of Sweden's first chewing gum – Toy

1950s – an interest in the USA and cars

The chewing gum Jenkki (Yankee) was launched in Finland in 1951. Ahlgrens bilar – the world's best-selling car, was launched in 1953 with Italian Bugatti as its inspiration.

1970s – fresh and healthy

In Italy, Galatine was launched in 1970 as a candy for children. Also in 1975, the world's first chewing gum with xylitol was launched by Jenkki in Finland. The Mynthon pastille was introduced in Finland in 1976. In 1977 Dietorelle launched sugar-free confectionery in Italy, and in 1979 the sweetener Dietor was launched in Italy. In Sweden, the mixed candy bag Gott & Blandat was launched in response to the growing popularity of pick-and-mix.

1990s – consolidation of the confectionery industry

CSM, a Dutch sugar and food products company, acquired Red Band in 1986. LEAF acquired Ahlgrens (with Läkerol and Ahlgrens bilar) in 1993, CSM acquired Malaco in 1997, Cloetta acquired Candelia (with Polly and Bridgeblandning) in 1998 and CSM acquired LEAF in 1999. Cloetta's share was listed on the Stockholm Stock Exchange in 1994.

1950s 1960s 1970s 1980s 1990s 2000s

1960s, a little more playful

The double countline Tupla was launched in Finland in 1960. In Sweden, Polly was launched in 1965 and Bridgeblandning in 1966. Chewits were launched in the United Kingdom in 1965. The first marshmallow Santas were also sold in the 1960s.

1980s, chewing gum further developed

In 1981 Sportlife was launched as the first chewing gum in "blister" packaging. In the Netherlands, the country's first chewing gum with 100% xylitol, Xylifresh, was launched in 1988.

2000s – new groups formed

During the period from 2000 to 2009, Cloetta was part of the Cloetta Fazer group. After the demerger in 2009, the independent Cloetta was relisted on NASDAQ OMX Stockholm.

In 2000 CSM acquired Continental Sweets and thereby strengthened its position primarily in France and Belgium, but also in the Netherlands and the United Kingdom. In 2001 CSM acquired Socalbe in Italy (with Dietorelle and Dietor).

In 2005 CVC and Nordic Capital acquired CSM's confectionery division, which changed name to LEAF.

Cloetta och LEAF were merged in 2012.

Definitions and glossary

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

EBITA margin: EBITA 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.

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 (excluding shareholder loans) 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.

Operational working capital: Total inventories and trade receivables, less trade payables.

Third-party borrowings: Total non-current and current borrowings excluding loans to former shareholders and finance lease liabilities.

Working capital: Total current assets, excluding cash and cash equivalents and derivative financial instruments, less current liabilities.

PER SHARE DATA

Earnings per share: Profit for the period divided by the average number of shares.

OTHER DEFINITIONS

EBITA: Operating profit before amortisation of intangible assets (excluding software).

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.

Operating profit (EBIT): Operating profit consisting of total earnings before net financial items and corporate income tax.

Underlying net sales, EBITA, EBITA 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.

Financial calendar

2013	Jan		
	Feb	Year-end report 2012	15 February 2013
	Mar	Annual report 2012	End of March 2013
	Apr	Annual General Meeting	11 April 2013
		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

Annual General Meeting

The Annual General Meeting (AGM) will be held on Thursday, 11 April 2013, at 2:00 p.m. CET, at Hotel Rival, Mariatorget 3, in Stockholm, Sweden.

Registration

Registration to participate in the AGM must be received by the company no later than Friday, 5 April 2013.

Shareholders can register as follows:

Mail: Cloetta AB
"Annual General Meeting"
Box 7841
SE-103 98 Stockholm, Sweden

Tel: +46 8-402 92 85

Fax: +46 8-402 92 56

E-mail: susanne.beijar@cloetta.com

To order the annual report

The annual report is published in Swedish and English. The printed annual report can be ordered via the website. It can also be downloaded from www.cloetta.com.

Shareholder contact

Jacob Broberg, Senior Vice President Corporate Communications and Investor Relations, +46 8 52 72 88 00, jacob.broberg@cloetta.com or ir@cloetta.com

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Cloetta, founded in 1862, is a leading confectionery company in the Nordic region, the Netherlands and Italy, manufacturing and selling sugar confectionery, chocolate products, pastilles and chewing gum. Cloetta owns some of the strongest brands on the market, all with a long tradition. Cloetta has around 2,600 employees in twelve countries and production at ten factories.

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