Cloetta

# Year-end report, Q4 October – December 2013

Stockholm, 14 February 2014

- **Net sales** for the quarter increased by 2.6 per cent to SEK 1,441m (1,404) including a positive impact from foreign exchange rates of 1.0 per cent.
- **Operating profit** was SEK 175m (82).
- **Underlying EBIT** improved to SEK 231m (200).
- **Items affecting comparability** amounted to SEK –56m (–118) and consist mainly of costs related to factory restructurings.
- **Cash flow from operating activities** was SEK 116m (147).
- **The factory restructurings** are proceeding according to plan. The production in Gävle, Sweden, was terminated at year end.
- **Net debt/underlying EBITDA** was 4.2x (5.1). In the quarter, SEK 68m of the debt was amortised.
- **No dividend payout proposed** in line with the financial strategy to reduce net debt to approximately 2.5x EBITDA.
- **On 8 January 2014, Cloetta completed the acquisition of Alrifai Nutisal AB.** The acquisition is in line with Cloetta's strategy to broaden its product portfolio within Munchy Moments.

| | Fourth quarter | | | Full year | | |
|---|---|---|---|---|---|---|
| SEKm | Oct–Dec 2013 | Oct–Dec 2012 | Change, % | Jan–Dec 2013 | Jan–Dec 2012 | Change, % |
| Net sales | 1,441 | 1,404 | 2.6[3] | 4,893 | 4,859 | 0.7[3] |
| Operating profit (EBIT) | 175 | 82 | 113.4 | 418 | 125 | 234.4 |
| Operating margin (EBIT margin), % | 12.1 | 5.7 | 6.4-pts | 8.5 | 2.6 | 5.9-pts |
| Underlying EBIT[1] | 231 | 200 | 15.5 | 591 | 423 | 39.7 |
| Underlying EBIT margin, %[1] | 16.1 | 14.6 | 1.5-pts | 12.0 | 8.7 | 3.3-pts |
| Profit before tax | 127 | 72 | 76.4 | 210 | –140 | N/A |
| Profit for the period | 186 | 155 | 20.0 | 264 | –73 | N/A |
| Earnings per share, basic and diluted, SEK[2] | 0.65 | 0.54 | 20.4 | 0.92 | –0.26 | N/A |
| Net debt/underlying EBITDA (Rolling 12 months), x | 4.2 | 5.1 | –17.6 | 4.2 | 5.1 | –17.6 |
| Cash flow from operating activities | 116 | 147 | –21.1 | 131 | 330 | –60.3 |

1 Based on constant exchange rates, the current Group structure and excluding items affecting comparability related to restructurings.
2 Comparative earnings per share are not representative for the current Group due to a different equity structure before the merger between Cloetta and LEAF and the effect of the rights issue which was carried out in the second quarter of 2012.
3 Organic growth at constant exchange rates and comparable units 1.6% for the quarter and –1.0% for the full year. See further under Net sales on page 3.

# Message from the CEO

**In the fourth quarter, sales growth was 2.6 per cent and the underlying operating profit (EBIT) increased compared to the previous year.**

It is satisfying that during the quarter the company increased both sales and operating profit (EBIT). Profit before and after tax and earnings per share also rose while the net debt/underlying EBITDA ratio decreased. This demonstrates that Cloetta is on the right track.

Underlying EBIT improved to SEK 231m (200) for the quarter. The improvement is mainly due to factory restructurings and realised synergies from the merger, but increased sales also had a positive impact. Operating profit improved considerably to SEK 175m (82) and profit after tax rose to SEK 186m (155).

The underlying EBIT margin in the quarter was 16.1 per cent (14.6) and the gross margin improved to 34.8 per cent (33.8). The reported EBIT margin improved to 12.1 per cent (5.7). Cash flow from operating activities amounted to SEK 116m (147).

During the quarter SEK 68m of the company's bank loans was amortised. Our aim is to use future cash flow for continued amortisation of our bank loans, while at the same time allowing for complementary acquisitions. The long-term target of 2.5x net debt/EBITDA remains unchanged.

### THE CONFECTIONERY MARKET

The confectionery market continued to show a slightly positive trend in most markets. Following a weak third quarter, the Finnish confectionery market recovered in the fourth quarter. In Italy, some recovery was noted and the market stabilised. The Netherlands continued its weak performance, driven by a declining chewing gum market.

### CONTINUED GROWTH

As the restructuring is close to completion, the focus is increasingly on growth-generating activities. The daily in-market execution is of course key in driving sales of existing products, but there are also opportunities to stretch the brands and make complementary acquisitions.

It is encouraging that Cloetta generated sales growth for the second consecutive quarter. Sales increased by 2.6 per cent during the quarter and adjusted for currency effects by 1.6 per cent. Sales increased in every country except the Netherlands where sales were flat and in Norway where sales decreased.

Sales growth in Sweden was mainly driven by positive development for chocolate products, including the launch of Polly bilar. In Finland, several product launches, including the re-launch of Hopea Toffee, contributed to positive sales development. Sales growth continued for the third consecutive quarter in Italy, mainly driven by sales of seasonal products which are very important to Cloetta. The lower sales in Norway were primarily due to discontinued distribution of a product not owned by Cloetta.

### ACQUISITION OF NUTISAL OPENS A NEW CATEGORY

In line with our desire to broaden the product portfolio within Munchy Moments, we completed the acquisition of Nutisal, a leading Swedish company within dry roasted nuts, on 8 January, 2014. Thus, we can offer our consumers a new Munchy Moment with an established brand in the growing nut market. The process of integrating Nutisal into Cloetta has been initiated. In Sweden, this includes merging the two sales teams and in other markets it results in Cloetta's sales organisation taking over the sales responsibility from current distributors.

I am convinced that Nutisal's dry roasted nuts, continued market growth and Cloetta's strong route to market, will allow us to drive significant growth within the nut category.

### RESTRUCTURING ACCORDING TO PLAN

Production in the factory in Gävle, Sweden, was terminated at year-end 2013. A small workforce remains in place during the first quarter of 2014 to prepare relocation of the remaining equipment. Production in the receiving factories, Ljungsbro, Sweden, and Levice, Slovakia, has started. The ramp-up towards full capacity is expected to take another few months. Overall, the final factory restructuring is proceeding according to plan and the costs for this are therefore expected to cease in the second quarter of 2014.

### FOCUS ON PROFITABLE GROWTH

Continued sales growth and the acquisition of Nutisal demonstrate that Cloetta is able to grow both organically and through acquisitions. Once the restructuring of the supply chain is completed, we can once again focus solely on profitable growth. When I summarise the year 2013, I am proud to say that we have executed according to plan. Financially, Cloetta has improved its earnings, including restructuring, by SEK 337m versus last year. The net profit after tax of SEK 264m corresponds to earnings per share of SEK 0.92.

Bengt Baron,
President and CEO

# Financial overview

## THE FINANCIAL YEAR

This interim report includes the consolidated financial statements of the Cloetta Group for the period from 1 January to 31 December 2013. Since Cloetta's acquisition of LEAF is accounted for as a reverse acquisition, the consolidated comparative figures up to 15 February 2012 are those for Cloetta Holland B.V. (formerly known as LEAF Holland B.V.). The consolidated comparative figures from 16 February 2012 onwards are those for both Cloetta Holland B.V. and the former Cloetta Group. For this reason, the comparative figures for the full year are not entirely comparable.

The comparative figures for the Parent Company are those for the legal acquirer, i.e. Cloetta AB. For the Parent Company, this interim report covers the period from 1 January to 31 December 2013 in accordance with the Parent Company's financial year. The comparative figures for the Parent Company cover the period from 1 September 2011 to 31 December 2012 in accordance with the Parent Company's previous financial year. For this reason the comparative figures for the full year are not entirely comparable.

## FOURTH QUARTER DEVELOPMENTS

### Net sales

Net sales for the fourth quarter rose by SEK 37m to SEK 1,441m (1,404) compared to the same period of last year. Adjusted for changes in exchange rates, sales increased by 1.6 per cent in the quarter.

Sales were up in all markets except the Netherlands where sales were unchanged and in Norway where sales declined.

Sales in Sweden increased mainly as a result of positive development within the chocolate category. In Finland sales improved as a result of several product launches. The positive sales development in Italy is mainly a result of positive development for the seasonal sales. Sales in Norway declined due to the discontinued distribution of a third-party brand and lower sales of chocolate products.

| Changes in net sales, % | Oct–Dec 2013 | Jan–Dec 2013 |
|---|---|---|
| Changes in exchange rates | 1.0 | –0.4 |
| Structural changes | – | 2.1 |
| Organic growth | 1.6 | –1.0 |
| **Total** | **2.6** | **0.7** |

### Gross profit

Gross profit amounted to SEK 502m (474), which is equal to a gross margin of 34.8 per cent (33.8).

### Operating profit

Operating profit improved to SEK 175m (82). The increase is due to realised synergies from the merger, factory restructurings and an increase in sales.

### Underlying EBIT

Underlying EBIT improved to SEK 231m (200).

### Items affecting comparability

Operating profit for the fourth quarter includes items affecting comparability of SEK –56m (–118). These consist of restructuring costs of SEK – 55m (–122) and exchange rate differences of SEK –1m (4).

### Net financial items

Net financial items for the quarter amounted to SEK –48m (–10). Interest expenses decreased during the quarter, but net financial items were negatively affected by exchange differences on borrowings and cash in an amount of SEK –5m (39). As of 19 July 2013 hedge accounting (hedges of net investments in foreign operations) is applied, reducing the volatility of net financial items arising from the revaluation of monetary assets and liabilities.

### Profit for the period

Profit for the period was SEK 186m (155), which is equal to basic and diluted earnings per share of SEK 0.65 (0.54). Income tax for the period was SEK 59m (83). In the fourth quarter, positive effects resulting from one-off events were recognised on the tax line.

### Announced acquisition of Alrifai Nutisal AB

In the fourth quarter Cloetta signed an agreement to acquire Alrifai Nutisal AB, a leading Swedish company within dry roasted nuts. The acquisition is in line with Cloetta's strategy to broaden its product portfolio within Munchy Moments. The acquisition was completed on 8 January 2014.

## DEVELOPMENT DURING THE YEAR

### Net sales

Net sales for the full year rose by SEK 34m to SEK 4,893m (4,859) compared to last year. The increase in net sales in 2013 compared to 2012 is attributable to the merger between Cloetta and LEAF that took place in February 2012.

Underlying net sales fell by 1.0 per cent for the full year, but increased during the second half of the year. The decline in sales during the first half of the year was mainly due to the reduction in contract manufacturing but also to some extent weak market conditions. All markets except Norway, the Netherlands and the UK grew during 2013.

### Gross profit

Gross profit amounted to SEK 1,812m (1,702), which is equal to a gross margin of 37.0 per cent (35.0).

### Operating profit

Operating profit was SEK 418m (125). The increase is a result of the merger and factory restructurings.

### Underlying EBIT

Underlying EBIT increased to SEK 591m (423).

### Items affecting comparability

Operating profit for the full year includes total items affecting comparability of SEK –173m (–298). These consist of restructuring costs of SEK –167m (–309) and exchange rate differences of SEK –6m (9).

### Net financial items

Net financial items for the year amounted to SEK –208m (–265). The improvement is mainly a result of lower interest expenses on loans from former shareholders in LEAF. These loans were converted into equity on 15 February 2012, for which reason no interest arose in 2013. Total interest on these loans last year amounted to SEK –61m. In addition to the impact of the lower interest expenses, net financial items were positively affected by lower amortisation of financing costs in an amount of SEK 37m (52) despite the full amortisation of the Senior A related financing cost in the third quarter of 2013 of SEK 18m. The interest expenses on borrowings (including the impact of interest swaps) had a positive effect on net financial items in an amount of SEK 13m. Net financial items were negatively affected by exchange differences on borrowings and cash in an amount of SEK –12m (20).

### Profit for the period

Profit for the year was SEK 264m (–73), which is equal to basic and diluted earnings per share of SEK 0.92 (–0.26). Income tax for the year was SEK 54m (67). During the year, positive effects resulting from one-off events were recognised on the tax line.

### Acquisitions and divestments

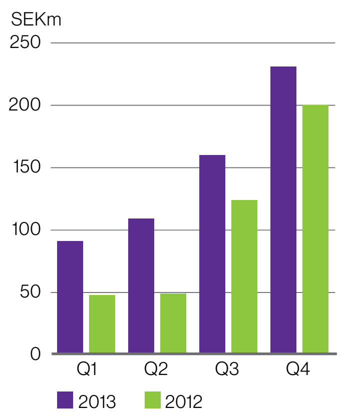
The factories in Aura, Finland, and Alingsås, Sweden, were sold during the first quarter. Five properties were sold in Ljungsbro, Sweden.

In the second quarter Cloetta acquired the British candy company FTF Sweets UK Ltd., which owns the brand Goody Good Stuff, launched in 2010. The brand has its core markets in the UK and the US.

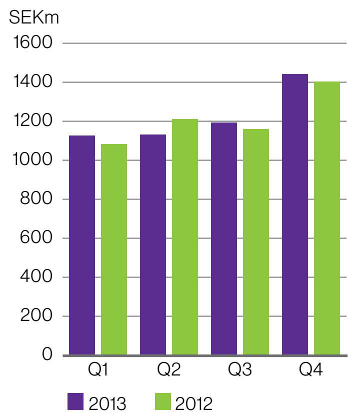
### Amended financing structure

In the third quarter the credit facility agreement with Svenska Handelsbanken was renegotiated. The amended terms will amongst other things reduce the cost of borrowings and increase operating flexibility. Furthermore, this will allow Cloetta to make dividend payments as soon as the net debt/EBITDA ratio is 4.0x or lower, taking into account the proposed distribution of dividends. However, Cloetta's financial target to have a net debt/EBITDA ratio of approximately 2.5x, before paying dividends, remains unchanged. The amendments to the credit facility agreement do not affect the amount or maturity of the credit facilities.

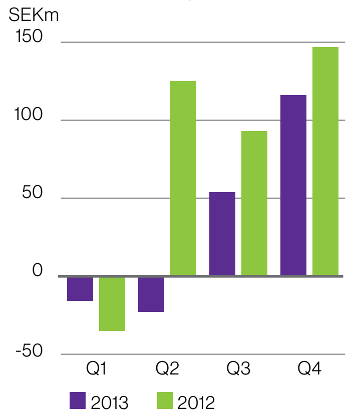
Underlying EBIT




Net sales




Cash flow from operating activities



In addition to the renegotiated credit facility agreement, Cloetta AB (publ) announced on 6 September 2013 the placement of senior secured notes amounting to SEK 1,000m with a final maturity in September 2018 (the "Notes"). The Notes bear interest at a floating rate of three-month STIBOR plus 3.10 per cent. In accordance with the terms and conditions of the Notes, the Notes have been issued, listed and admitted for trading on the corporate bond market of the NASDAQ OMX Stockholm as of 17 September 2013. The net proceeds from the placement of the Notes have been used to repay the Senior A facility in full and reduce the overdraft facility.

## CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

### Cash flow for the fourth quarter

Cash flow from operating activities before changes in working capital was SEK 232m (113m). Compared to prior year this is due to the improved underlying results and lesser exceptional costs. Movement of working capital was SEK –116m (34m), where a seasonal build-up of receivables is normal. However compared to last year the negative movement is exacerbated by lesser payables. Cash flow from operating and investing activities was SEK 55m (48).

#### Working capital

Inventory decreased by SEK 85m, which was offset by a lower level of payables of SEK -152m resulting in a cash flow from movements in working capital of SEK –116m (34). The remaining part is due to the increased receivables of SEK 49m as a result of increased sales.

#### Investments

Cash flow from investing activities was SEK –61m (–99).

### Cash flow for the year

Cash flow from operating activities before changes in working capital was SEK 408m (156) reflecting the full year effect of an improved underlying profitability and lesser exceptional costs. Movement of working capital was SEK –277m (174) where a majority of the negative movement relates to payables (see below). Cash flow from operating and investing activities for the year was SEK –71m (–1,176).

#### Working capital

Cash flow from changes in working capital was SEK –277m (174). The decrease is caused by a lower level of payables compared to a high level at the end of 2012. At year end 2012 the payables were high due to the large investments and expenses related to the manufacturing strategy and payables associated with the build-up of safety stock related to the Aura plant closure. In addition, the changed payment terms in Italy resulted in a lower level of payables in 2013 compared to 2012 as the new regulation did not reach its full effect in 2012. The level of payables at the end of 2012 was high and of a one-off nature, and is more normalised at the end of 2013.

#### Investments

Cash flow from investing activities was SEK –202m (–1,506). The improvement in cash flow from investing activities is mainly the result of significant one-off cash outflows in 2012. In 2012, cash flow from investing activities included the net proceeds from Cloetta's reverse acquisition of LEAF in an amount of SEK 169m, as well as repayment of the Vendor Loan Note of SEK –1,400m and proceeds from the disposals of LEAF Belgium Distribution and LEAF Ejendomsselskab in an amount of SEK 47m. The total cash flows from investments in property, plant and equipment and intangible assets in 2013 amounted to SEK –211m (–269).

## Cash flow from operating and investing activities

| | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEKm | Oct–Dec 2013 | Oct–Dec 2012 | Jan–Dec 2013 | Jan–Dec 2012 |
| Cash flow from operating activities before changes in working capital | 232 | 113 | 408 | 156 |
| Cash flow from changes in working capital | –116 | 34 | –277 | 174 |
| **Cash flow from operating activities** | **116** | **147** | **131** | **330** |
| Cash flows from investments in property, plant and equipment and intangible assets | –61 | –116 | –211 | –269 |
| Other cash flow from investing activities | 0 | 17 | 9 | –1,237 |
| **Cash flow from investing activities** | **–61** | **–99** | **–202** | **–1,506** |
| **Cash flow from operating and investing activities** | **55** | **48** | **–71** | **–1,176** |

## FINANCIAL POSITION

Consolidated equity at 31 December 2013 amounted to SEK 3,747m (3,326), which is equal to SEK 13.0 per share (11.5). Net debt at 31 December 2013 was SEK 3,230m (3,056). The issuance of the senior secured notes in the third quarter of 2013 had a positive effect on the maturity of the borrowings. The net proceeds from the issuance were used to repay loans from credit institutions and the overdraft facility.

Non-current borrowings totalled SEK 3,096m (2,516) and consisted of SEK 2,144m (2,571) in gross loans from credit institutions, senior secured notes of SEK 1,000m (0) and SEK –48m (–55) in capitalised transaction costs.

Total current borrowings amounted to SEK 212m (747) and consisted mainly of SEK 135m (360) in gross loans from credit institutions, SEK –18m (–20) in capitalised transaction costs, SEK 73m (406) in a credit overdraft facility and accrued interest on loans from credit institutions and senior secured notes for an amount of SEK 22m (1).

The short-term gross loans from credit institutions in an amount of SEK 135m (360) consist of a short-term repayment obligation for 2014.

| SEKm | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Gross non-current borrowings | 2,144 | 2,571 |
| Gross current borrowings | 135 | 360 |
| Credit overdraft facility | 73 | 406 |
| Senior secured notes | 1,000 | – |
| Derivative financial instruments | 23 | 24 |
| Interest payable | 22 | 1 |
| **Gross debt** | **3,397** | **3,362** |
| Cash and cash equivalents | –167 | –306 |
| **Net debt** | **3,230** | **3,056** |

Cash and cash equivalents at 31 December 2013, excluding long-term unutilised overdraft facilities, amounted to SEK 167m (306).

In addition to the above financing, Cloetta has unutilised overdraft facilities for a total of SEK 616m (294).

## OTHER DISCLOSURES

### Restructuring

In 2012, decisions were made to close the factories in Aura, Finland, and in Alingsås and Gävle, Sweden, in order to eliminate excess capacity in the Group's production structure. A decision was also made to rationalise warehousing operations in Scandinavia.

The factories in Alingsås, Sweden, and Aura, Finland, were closed at the end of 2012 and the beginning of 2013, respectively. Production in the factory in Gävle, Sweden, was terminated by year-end 2013. The rationalisation of warehousing operations in Scandinavia was completed in 2013.

### Seasonal variations

Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on in which quarter it occurs. There were limited seasonal variations due to the Easter holiday in a comparison between 2013 and 2012. In the fourth quarter, sales are usually higher than in the first three quarters of the year which is mainly attributable to the sale of products in Sweden and Italy in connection with the holiday season.

### Employees

The average number of employees during the quarter was 2,464 (2,565). The decrease is due to the merger and the closures of the Alingsås and Aura factories.

### Events after the balance sheet date

On 8 January 2014, Cloetta Holland BV, a 100 per cent direct participation of Cloetta AB (publ), acquired 100 per cent of the shares of Alrifai Nutisal AB. Immediately after the acquisition, Alrifai Nutisal AB, changed name to Cloetta Nutisal AB. The acquisition is in line with Cloettas's strategy to broaden its product portfolio within Munchy Moments. Cloetta Nutisal AB produces and sells dry roasted nuts under the brand Nutisal, primarily in the branded bags segment. The company has yearly sales of about SEK 200m, with approximately 60 employees. The acquisition is expected to generate additional growth in sales of approximately 1 per cent on Group level over the next few years. It will require non-recurring restructuring cost of approximately SEK 10m in 2014. In 2014 the acquisition will have a very limited effect on Cloetta's operating profit as the company is in a growth phase. However, the acquisition is expected to be EPS accretive in 2015. The upfront purchase price is SEK 110m in cash with a potential earn-out based on certain targets related to the results of Cloetta Nutisal AB for 2016. The maximum earn-out is SEK 300m in cash. The acquisition of Nutisal was made public on 9 December 2013.

A Purchase Price Allocation regarding the acquisition of Cloetta Nutisal AB will be performed. The PPA will impact the consolidated balance sheet and profit and loss account, which cannot be reliably estimated on the date of this report due to incomplete financial information available on the balance sheet date. The acquisition was carried out after balance sheet date and no financial information on Cloetta Nutisal AB is included in the financial information on the balance sheet date.

### Nomination Committee

The Nomination Committee's proposal for election of board of directors at the 2014 AGM was announced in a press release February 12, 2014 which is available on Cloetta's website www.cloetta.com.

The Nomination Committee's proposal for election of auditors and fees will be announced in the Notice of the Annual General Meeting. The notice will be available on Cloetta's website www.cloetta.com from the end of March 2014.

### Annual General Meeting

The Annual General Meeting will be held at 2:00 p.m. on Tuesday, 29 April 2014, at Norra Latin, Drottninggatan 71B in Stockholm. The notice to attend the Annual General Meeting will be sent at the end of March 2014.

### Annual report

The annual report for the financial year will be posted on Cloetta's website www.cloetta.com at the latest in the beginning of April 2014.

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

Stockholm, 14 February 2014
Cloetta AB (publ)

Lennart Bylock
*Chairman*

Lilian Biner
*Member of the Board*

Hans Eckerström
*Member of the Board*

Håkan Kirstein
*Member of the Board*

Adriaan Nühn
*Member of the Board*

Robert-Jan van Ogtrop
*Member of the Board*

Mikael Svenfelt
*Member of the Board*

Olof Svenfelt
*Member of the Board*

Meg Tivéus
*Member of the Board*

Peter Törnquist
*Member of the Board*

Lena Grönedal
*Employee Board member*

Bengt Baron
*President and CEO*

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

# Selection of key product launches during Q4

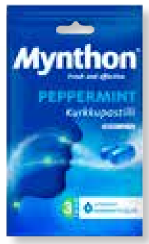





**The Netherlands**
Red Band Sweet 'n pure
Venco Dropmix

**Finland**
Läkerol Dents Mango
TV Mix Fantasy




**Sweden**
Juleskum Knäck

**Rest of the world**
Fünf Kräuter
Läkerol Fruit Drops
Mynthon Peppermint

# Financial statements in summary
## Consolidated profit and loss account

| | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEKm | Oct–Dec 2013 | Oct–Dec 2012 | Jan–Dec 2013 | Jan–Dec 2012 |
| Net sales | 1,441 | 1,404 | 4,893 | 4,859 |
| Cost of goods sold | –939 | –930 | –3,081 | –3,157 |
| **Gross profit** | **502** | **474** | **1,812** | **1,702** |
| Other income | 0 | 9 | 12 | 13 |
| Selling expenses | –219 | –211 | –850 | –888 |
| General and administrative expenses | –108 | –190 | –556 | –702 |
| **Operating profit** | **175** | **82** | **418** | **125** |
| Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies | –5 | 39 | –12 | 20 |
| Other financial income | 2 | 2 | 24 | 5 |
| Other financial expenses | –45 | –51 | –220 | –290 |
| **Net financial items** | **–48** | **–10** | **–208** | **–265** |
| **Profit/loss before tax** | **127** | **72** | **210** | **–140** |
| Income tax expense | 59 | 83 | 54 | 67 |
| **Profit/loss for the period** | **186** | **155** | **264** | **–73** |
| *Profit/loss for the period attributable to:* | | | | |
| **Owners of the Parent Company** | **186** | **155** | **264** | **–73** |
| Earnings per share, SEK | | | | |
| Basic[1] | 0.65 | 0.54 | 0.92 | –0.26 |
| Diluted[1, 2.] | 0.65 | 0.54 | 0.92 | –0.26 |
| Number of shares at end of period | 288,619,299 | 288,619,299 | 288,619,299 | 288,619,299 |
| Average numbers of shares (basic)[2.] | 287,581,689 | 288,619,299 | 288,010,947 | 276,132,021 |
| Average numbers of shares (diluted)[2.] | 287,626,238 | 288,619,299 | 288,026,408 | 276,132,021 |

1 Comparative earnings per share are not fully representative for the current group due to a rights issue carried out in the second quarter of 2012.
2 Cloetta entered into a long-term equity swap to fulfil its future obligation to deliver shares to the participants in the long-term share based incentive plan. Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contract to repurchase own shares. The equity swap covers a total of 1,037,610 Cloetta AB shares for an amount of SEK 18,50678 per share.

# Consolidated statement of comprehensive income

| SEKm | Fourth quarter Oct–Dec 2013 | Fourth quarter Oct–Dec 2012 | Full year Jan–Dec 2013 | Full year Jan–Dec 2012 |
|---|---|---|---|---|
| **Profit/loss for the period** | **186** | **155** | **264** | **–73** |
| *Other comprehensive income* | | | | |
| Remeasurement of defined benefit pension plans | 3 | –100 | 86 | –100 |
| Income tax on other comprehensive income that will not be reclassified subsequently to profit and loss for the period | 0 | 30 | –19 | 30 |
| **Items that cannot be reclassified to profit or loss for the period** | **3** | **–70** | **67** | **–70** |
| Hedge of a net investment in a foreign operation | –40 | – | –54 | – |
| Currency translation differences | 120 | 89 | 148 | –68 |
| Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period | 9 | – | 12 | – |
| **Items that have been reclassified or can be reclassified to profit or loss for the period** | **89** | **89** | **106** | **–68** |
| **Total other comprehensive income** | **92** | **19** | **173** | **–138** |
| **Total comprehensive income, net of tax** | **278** | **174** | **437** | **–211** |
| ***Total comprehensive income for the period attributable to:*** | | | | |
| Owners of the Parent Company | 278 | 174 | 437 | –211 |

## Restructurings[1, 3]

| SEKm | Fourth quarter Oct–Dec 2013 | Fourth quarter Oct–Dec 2012 | Full year Jan–Dec 2013 | Full year Jan–Dec 2012[2] |
|---|---|---|---|---|
| Integration and factory restructurings | –55 | –122 | –167 | –272 |
| Other restructurings | – | 0 | – | –37 |
| **Total** | **–55** | **–122** | **–167** | **–309** |
| 1 Corresponding line in the consolidated profit and loss account: | | | | |
| Net sales | – | –1 | – | –1 |
| Cost of goods sold | –76 | –82 | –121 | –121 |
| Other income | 0 | 9 | 12 | 13 |
| Selling expenses | 0 | 1 | –4 | –13 |
| General and administrative expenses | 21 | –49 | –54 | –187 |
| **Total** | **–55** | **–122** | **–167** | **–309** |

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

# Consolidated balance sheet

| SEKm | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| Intangible assets | 5,252 | 5,099 |
| Property, plant and equipment | 1,660 | 1,611 |
| Deferred tax asset | 73 | 473 |
| Other financial assets | 91 | 88 |
| **Total non-current assets** | **7,076** | **7,271** |
| | | |
| Inventories | 798 | 773 |
| Other current assets | 933 | 955 |
| Cash and cash equivalents | 167 | 306 |
| **Total current assets** | **1,898** | **2,034** |
| Assets held for sale | 15 | 35 |
| **TOTAL ASSETS** | **8,989** | **9,340** |
| | | |
| **Equity** | **3,747** | **3,326** |
| | | |
| Borrowings | 3,096 | 2,516 |
| Deferred tax liability | 397 | 824 |
| Derivative financial instruments | 21 | 3 |
| Provisions for pensions and other long-term employee benefits | 360 | 452 |
| Other provisions | 9 | 11 |
| **Total non-current liabilities** | **3,883** | **3,806** |
| | | |
| Borrowings | 212 | 747 |
| Derivative financial instruments | 2 | 21 |
| Other current liabilities | 1,066 | 1,361 |
| Provisions | 79 | 79 |
| **Total current liabilities** | **1,359** | **2,208** |
| **TOTAL EQUITY AND LIABILITIES** | **8,989** | **9,340** |

# Consolidated statement of changes in equity

| SEKm | Jan-Dec 2013 | Jan-Dec 2012 |
|---|---|---|
| **Equity at beginning of period** | **3,326** | **–385** |
| Profit/loss for the period | 264 | –73 |
| Other comprehensive income | 173 | –138 |
| **Total comprehensive income** | **437** | **–211** |
| **Transactions with owners** | | |
| Forward contract to repurchase own shares | –19 | – |
| Share-based payments | 3 | – |
| Capital contribution | – | 3,522 |
| Business combinations[1] | – | –667 |
| Conversion of convertible loan | – | 10 |
| Rights issue | – | 1,057 |
| **Total transactions with owners** | **–16** | **3,922** |
| **Equity at end of period** | **3,747** | **3,326** |
| 1 The amount reported for business combinations in 2012 consists of: | | |
| - The assessed value of the acquired Cloetta company | | 833 |
| - The issue in kind of class C shares (see change in equity of Parent Company) | | 2,556 |
| - The hypothetical repurchase of shares (reverse acquisition) | | –4,056 |
| | | –667 |

# Consolidated cash flow statement

| | Fourth quarter | | Full year | |
|---|---|---|---|---|
| SEKm | Oct–Dec 2013 | Oct–Dec 2012 | Jan–Dec 2013 | Jan–Dec 2012 |
| Cash flow from operating activities before changes in working capital | 232 | 113 | 408 | 156 |
| Cash flow from changes in working capital | –116 | 34 | –277 | 174 |
| **Cash flow from operating activities** | **116** | **147** | **131** | **330** |
| Cash flows from investments in property, plant and equipment and intangible assets | –61 | –116 | –211 | –269 |
| Other cash flow from investing activities | 0 | 17 | 9 | –1,237 |
| **Cash flow from investing activities** | **–61** | **–99** | **–202** | **–1,506** |
| **Cash flow from operating and investing activities** | **55** | **48** | **–71** | **–1,176** |
| **Cash flow from financing activities** | **–39** | **26** | **–65** | **1,412** |
| **Cash flow for the period** | **16** | **74** | **–136** | **236** |
| Cash and cash equivalents at beginning of period | 138 | 169 | 306 | 97 |
| Cash flow for the period | 16 | 74 | –136 | 236 |
| Exchange difference | 13 | 63 | –3 | –27 |
| **Cash and cash equivalents at end of period** | **167** | **306** | **167** | **306** |

# Key figures

| SEKm | Fourth quarter Oct–Dec 2013 | Fourth quarter Oct–Dec 2012[3] | Full year Jan–Dec 2013 | Full year Jan–Dec 2012[3] |
|---|---|---|---|---|
| **Profit** | | | | |
| Net sales | 1,441 | 1,404 | 4,893 | 4,859 |
| Net sales, growth, % | 2.6 | 2.3 | 0.7 | 4.3 |
| Underlying net sales, growth, % | 1.6 | –7.4 | –1.0 | –4.1 |
| Gross margin, % | 34.8 | 33.8 | 37.0 | 35.0 |
| Underlying EBITDA | 274 | 244 | 766 | 597 |
| Underlying EBITDA margin, % | 19.1 | 17.6 | 15.6 | 12.3 |
| Depreciation | –44 | –44 | –175 | –167 |
| Amortisation | –1 | 0 | –2 | –1 |
| Underlying EBIT | 231 | 200 | 591 | 423 |
| Underlying EBIT margin, % | 16.1 | 14.6 | 12.0 | 8.7 |
| Restructuring | –55 | –122 | –167 | –309 |
| Operating profit (EBIT) | 175 | 82 | 418 | 125 |
| Operating profit margin (EBIT margin), % | 12.1 | 5.7 | 8.5 | 2.6 |
| Profit margin, % | 8.8 | 4.9 | 4.3 | –2.9 |
| **Financial position** | | | | |
| Working capital[2] | 763 | 458 | 763 | 458 |
| Capital expenditure | –61 | –116 | –211 | –269 |
| Net debt | 3,230 | 3,056 | 3,230 | 3,056 |
| Capital employed[1] | 7,438 | 7,066 | 7,438 | 7,066 |
| Return on capital employed, % (Rolling 12 months) | 6.1 | 1.9 | 6.1 | 1.9 |
| Equity/assets ratio, % | 41.7 | 35.6 | 41.7 | 35.6 |
| Net debt/equity ratio, % | 86.2 | 91.9 | 86.2 | 91.9 |
| Return on equity, % (Rolling 12 months) | 7.0 | –2.2 | 7.0 | –2.2 |
| Equity per share, SEK | 13.0 | 11.5 | 13.0 | 11.5 |
| Net debt/underlying EBITDA (Rolling 12 months) | 4.2 | 5.1 | 4.2 | 5.1 |
| **Cash flow** | | | | |
| Cash flow from operating activities | 116 | 147 | 131 | 330 |
| Investments in non-current assets | –61 | –99 | –202 | –1,506 |
| Cash flow after investments | 55 | 48 | –71 | –1,176 |
| Cash conversion, % | 77.7 | 52.5 | 72.5 | 54.9 |
| Cash flow from operating activities per share, SEK | 0.4 | 0.5 | 0.5 | 1.1 |
| **Employees** | | | | |
| Average number of employees | 2,464 | 2,565 | 2,472 | 2,579 |

1 Capital employed has been restated.
2 Adjusted for amended definition (see page 20).
3 All underlying data have been restated at new constant exchange rate.

# Quarterly data

| SEKm | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 | Q4 2011 |
|---|---|---|---|---|---|---|---|---|---|
| **PROFIT AND LOSS ACCOUNT** | | | | | | | | | |
| Net sales | 1,441 | 1,194 | 1,131 | 1,127 | 1,404 | 1,159 | 1,212 | 1,084 | 1,371 |
| Cost of goods sold | –939 | –741 | –696 | –705 | –930 | –730 | –799 | –698 | –911 |
| **Gross profit** | **502** | **453** | **435** | **422** | **474** | **429** | **413** | **386** | **460** |
| Other income | 0 | 2 | 3 | 7 | 9 | 4 | 0 | 0 | 1 |
| Selling expenses | –219 | –197 | –228 | –206 | –211 | –185 | –270 | –222 | –248 |
| General and administrative expenses | –108 | –127 | –156 | –165 | –190 | –158 | –196 | –158 | –129 |
| **Operating profit/loss** | **175** | **131** | **54** | **58** | **82** | **90** | **–53** | **6** | **84** |
| Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies | –5 | 34 | –78 | 37 | 39 | –14 | –9 | 4 | –10 |
| Other financial income | 2 | 2 | 11 | 9 | 2 | 0 | 1 | 2 | 3 |
| Other financial expenses | –45 | –66 | –54 | –55 | –51 | –46 | –69 | –124 | –134 |
| **Net financial items** | **–48** | **–30** | **–121** | **–9** | **–10** | **–60** | **–77** | **–118** | **–141** |
| **Profit/loss before tax** | **127** | **101** | **–67** | **49** | **72** | **30** | **–130** | **–112** | **–57** |
| Income tax expense | 59 | –15 | 23 | –13 | 83 | –17 | 8 | –7 | 181 |
| **Profit/loss for the period** | **186** | **86** | **–44** | **36** | **155** | **13** | **–122** | **–119** | **124** |
| *Profit/loss for the period attributable to:* | | | | | | | | | |
| Owners of the Parent Company | 186 | 86 | –44 | 36 | 155 | 13 | –122 | –119 | 124 |
| **KEY FIGURES** | | | | | | | | | |
| Underlying EBIT[1] | 231 | 160 | 109 | 91 | 201 | 124 | 51 | 47 | 194 |
| Underlying EBITDA[1] | 274 | 205 | 148 | 139 | 244 | 168 | 93 | 92 | 236 |
| Return on equity, % | 7.0 | 6.7 | 4.6 | 2.5 | –2.2 | –3.2 | –3.9 | –3.0 | N/A |
| Equity per share, SEK | 13.0 | 12.0 | 11.9 | 11.4 | 11.5 | 11.2 | 11.5 | 11.0 | N/A |
| Net debt/underlying EBITDA (Rolling 12 months) | 4.2 | 4.4 | 4.6 | 4.7 | 5.1 | 5.3 | 5.2 | 6.4 | N/A |
| Cash flow from operating activities per share, SEK | 0.4 | 0.2 | –0.1 | –0.1 | 0.5 | 0.3 | 0.5 | –0.1 | N/A |

1 Restated at new constant exchange rate.

# Parent Company

## Summary parent company profit and loss accounts

| SEKm | Oct–Dec 2013 | Oct–Dec 2012 | Jan–Dec 2013 | Sep 2011–Dec 2012 |
|---|---|---|---|---|
| Net sales | 31 | 20 | 86 | 72 |
| Cost of goods sold | – | 0 | – | 0 |
| **Gross profit** | **31** | **20** | **86** | **72** |
| Other income/expense | 0 | 3 | 12 | –2 |
| General and administrative expenses | –34 | –29 | –124 | –110 |
| **Operating profit/loss** | **–3** | **–6** | **–26** | **–40** |
| Net financial items | 79 | 77 | 29 | 38 |
| **Profit/loss before tax** | **76** | **71** | **3** | **–2** |
| Appropriations | – | 4 | – | 4 |
| Income tax expense | –18 | –21 | –1 | –2 |
| **Profit/loss for the period** | **58** | **54** | **2** | **0** |

Profit/loss for the period corresponds to comprehensive income for the period.

## Summary parent company balance sheets

| SEKm | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **5,157** | **4,633** |
| | | |
| **Current assets** | **89** | **156** |
| **TOTAL ASSETS** | **5,246** | **4,789** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | **4,221** | **4,216** |
| | | |
| **Non-current liabilities** | | |
| Borrowings | 988 | 343 |
| Provisions | 1 | 0 |
| **Total non-current liabilities** | **989** | **343** |
| | | |
| **Current liabilities** | | |
| Borrowings | – | 214 |
| Other current liabilities | 36 | 16 |
| **Total current liabilities** | **36** | **230** |
| **TOTAL EQUITY AND LIABILITIES** | **5,246** | **4,789** |
| | | |
| Pledged assets | 4,623 | 4,623 |
| Contingent liabilities | 3,078 | 2,765 |

## Parent company statement of changes in equity

| SEKm | Jan 2013 –Dec 2013 | Sep 2011 –Dec 2012 |
|---|---|---|
| **Equity at beginning of period** | **4,216** | **592** |
| Profit/loss for the period | 2 | 0 |
| **Total comprehensive income** | **4,218** | **592** |
| | | |
| **Transactions with owners** | | |
| Share based payments | 3 | – |
| Rights issue | – | 1,057 |
| Issue in kind of class C shares, acquisition of LEAF Holland B.V. | – | 2,556 |
| Convertible debenture loan | – | 11 |
| **Total transactions with owners** | **3** | **3,624** |
| | | |
| **Equity at end of period** | **4,221** | **4,216** |

# Disclosures, risk factors and accounting policies

## DISCLOSURES

### Parent Company

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January 2013 to 31 December. Net sales in the Parent Company reached SEK 86m (72) and referred mainly to intra-group services. Operating profit was SEK –26m (–40). Net financial items totalled SEK 29m (38). Profit before tax was SEK 3m (–2) and profit after tax was SEK 2m (0). Cash and cash equivalents and short-term investments amounted to SEK 0m (12).

### The Cloetta share

Cloetta's class B share is listed on NASDAQ OMX Stockholm, Mid Cap. During the period from 1 January to 31 December 2013, a total of 199,466,588 shares were traded for a combined value of SEK 3,565m, equal to around 72 per cent of the total number of class B shares at the end of the period.

The highest quoted bid price during the period from 1 January to 31 December 2013 was SEK 21.60 (28 October) and the lowest was SEK 13.30 (3 January). The share price on 31 December 2013 was SEK 19.40 (last price paid).

During the period from 1 January to 31 December 2013, the Cloetta share rose by 42 per cent while the NASDAQ OMX Stockholm PI index rose by 23 per cent.

Cloetta's share capital at 31 December 2013 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares, equal to a quota value of SEK 5 per share.

### Shareholders

On 31 December 2013 Cloetta AB had 6,321 shareholders (5,300 at 30 September 2013). The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.0 per cent of the votes and 22.9 per cent of the share capital in the company. Other institutional investors held 51.5 per cent of the votes and 67.4 per cent of the share capital.

Foreign shareholders held 18.2 per cent of the votes and 23.7 per cent of the share capital.

In the fourth quarter the previous second and third largest shareholders Cidron Pord S.á.r.l. (owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (owned by funds under the advisorship of CVC Capital Partners) sold all their shareholdings. As of 31 December AMF is the second largest shareholder with a holding corresponding to 11.2 per cent of the votes and 14.7 per cent of the share capital. The third largest shareholder is Lannebo Fonder with a holding corresponding to 7.1 per cent of the votes and 9.3 per cent of the share capital in the company.

### Related party transactions

AB Malfors Promotor is considered to be a related party. Cidron Pord S.á.r.l. and Godis Holdings S.á.r.l are considered to be related parties up to 27 November 2013. Yllop Holding S.A. and Yllop Finance Holding AB were considered to be related parties until the second quarter of 2012.

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

The Parent Company has related party transactions with subsidiaries in the Group. The majority of such transactions refer to the sale of services, which for the period from January to December 2013 amounted to SEK 86m (72), equal to 100 per cent of each period's total sales. At 31 December 2013 the Parent Company's receivables from subsidiaries amounted to SEK 613m (261) and liabilities to subsidiaries amounted to SEK 10m (119). Transactions with related parties are priced on market-based terms.

During the second quarter the share-based long-term incentive plan (LTI 2013) as approved by the Annual General Meeting was introduced. Total costs related to LTI 2013 that were recognised in 2013 amount to SEK 3.5m, of which SEK 0.9m is related to group management.

### Segment reporting

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

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

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

### Taxes

During the year, positive effects were recognised on the tax line resulting from one-off events. The effective tax rate is –25.7 per cent (47.6). Cloetta's deferred tax balances have been calculated according to the enacted tax rates.

## RISK FACTORS

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

## ACCOUNTING POLICIES

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2013. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The consolidated interim report is presented in accordance with IAS 34, Interim Financial Reporting, and in compliance with the relevant provisions in the Swedish Annual Accounts Act and the Swedish Securities Market Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which are consistent with the provisions in recommendation RFR 2, Accounting for Legal Entities.

The same accounting and valuation methods have been applied as in the most recent annual report. The only items recognised at fair value after initial recognition are the interest rate swaps categorised at level 2 of the fair value hierarchy in all periods presented and the contingent earn-out consideration related to the acquisition of FTF Sweets UK Ltd. categorised at level 3, as well as assets held for sale, in case the fair value less cost to sell is below the carrying amount. The fair values of the financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to their carrying amounts. The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value derived is used as the carrying amount.

IFRS 13 requires disclosure of fair value measurements by level according to the following fair value measurement hierarchy:

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

### The following table presents the Group's assets and liabilities that are measured at fair value as per 31 December 2013

| SEKm | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| *Assets at fair value through profit or loss* | | | | |
| - Fixed assets measured at fair value | – | – | 15 | 15 |
| **Total assets** | **–** | **–** | **15** | **15** |
| **Liabilities** | | | | |
| *Liabilities at fair value through profit or loss* | | | | |
| - Interest rate swaps | – | 3 | – | 3 |
| - Contingent earn-out consideration | – | – | 2 | 2 |
| **Total liabilities** | **–** | **3** | **2** | **5** |

### The movement of financial instruments categorised at level 3 of the fair value hierarchy can be specified as follows:

| | |
|---|---|
| **Opening balance at 1 January 2013** | **–** |
| Business combinations | 11 |
| Remeasurements recognised in profit and loss | –9 |
| **Closing balance at 31 December 2013** | **2** |

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 at level 2. The valuation of the instruments is based on quoted market prices but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent earn-out liability requires use of significant unobservable inputs and is thereby categorised at level 3.

The valuation techniques and inputs 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 the asset held for sale is based on valuations by external independent valuators.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fixed asset measured at fair value is identified as a non-recurring fair value measurement and is related to the asset held for sale. The asset is valued at fair value because the fair value less costs to sell is below the carrying amount.

The contingent earn-out liability is measured at fair value using a scenario model with an earn-out threshold, different results and related changes and an applicable multiplier as input. These data are aligned with the earn-out contract and the Q4 update of the contingent earn-out liability resulted in a decrease in the contingent liability recognised in the profit and loss account in an amount of SEK 9m.

For the interest rate swaps, reference is made to the financial position paragraph on page 4.

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

### Changed accounting standards

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

### Changes in contingent liabilities of the Parent Company

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

# Definitions

| | |
|---|---|
| **General** | All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparable figures for the same period of the prior year, unless otherwise stated. |
| **Margins** | |
| **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 (EBIT margin)** | Operating profit expressed as a percentage of net sales. |
| **Profit margin** | Profit/loss before tax expressed as a percentage of net sales. |
| **Return** | |
| **Cash conversion** | Underlying EBITDA less capital expenditures as a percentage of underlying EBITDA. |
| **Return on capital employed** | Operating profit plus financial income as a percentage of average capital employed. |
| **Return on equity** | Profit for the period as a percentage of total equity. |
| **Capital structure** | |
| **Capital employed** | Total assets less interest-free liabilities (including deferred tax). |
| **Equity/assets ratio** | Equity at the end of the period as a percentage of total assets. |
| **Gross debt** | Gross current and non-current borrowings including credit overdraft facility, derivative financial instruments and interest payables. |
| **Net debt** | Gross debt less cash and cash equivalents. |
| **Net debt/equity ratio** | Net debt at the end of the period divided by equity at the end of the period. |
| **Working capital** | Total inventories and trade and other receivables adjusted for trade and other payables. |
| **Data per share** | |
| **Earnings per share** | Profit for the period divided by the average number of shares. |
| **Other definitions** | |
| **EBIT** | Operating profit or earnings before interest and taxes. |
| **EBITDA** | Operating profit before depreciation and amortisation. |
| **Items affecting comparability** | Items affecting comparability relate to non-recurring items, exchange rate differences between actual and constant rate and structural changes. |
| **Net sales, change** | Net sales as a percentage of net sales in the comparative period of the previous year. |
| **Underlying net sales, EBIT, EBIT margin** | The underlying figures are based on constant exchange rates and the current structure (excluding the distribution business in Belgium and a third-party distribution agreement in Italy) and excluding items affecting comparability. Includes the former Cloetta's historical financial values for better comparability. |

# Glossary

| | |
|---|---|
| **Factory restructurings / restructurings** | Due to excess capacity, Cloetta has closed factories in Sweden, Denmark and Finland during 2012/2013. In 2014 the factory in Gävle will also be closed. The production has been moved to Ljungsbro, Sweden, and Levice, Slovakia. |
| **Integration** | Cloetta and LEAF were merged on 15 February 2012. The integration has primarily consisted of processes to form a new common culture, but also of restructuring of the commercial organisation and administration in Sweden, rationalisation of warehouse operations in Scandinavia and insourcing of third-party brands. |

# Exchange rates

| | 31 Dec 2013 | 31 Dec 2012 |
|---|---|---|
| EUR, average | 8.6513 | 8.6958 |
| EUR, end of period | 8.8630 | 8.5750 |
| NOK, average | 1.1071 | 1.1643 |
| NOK, end of period | 1.0592 | 1.1667 |
| GBP, average | 10.1987 | 10.7435 |
| GBP, end of period | 10.6501 | 10.5215 |
| DKK, average | 1.1601 | 1.1682 |
| DKK, end of period | 1.1882 | 1.1495 |

# Financial calendar

| | | | |
|---|---|---|---|
| 2014 | Jan | | |
| | Feb | | |
| | Mar | | |
| | Apr | Annual report 2013 | At the latest in the beginning of April 2014 |
| | | Interim report Q1 2014 | 25 April 2014 |
| | | AGM in Stockholm | 29 April 2014 |
| | May | | |
| | Jun | | |
| | Jul | Interim report Q2 2014 | 18 July 2014 |
| | Aug | | |
| | Sep | | |
| | Oct | | |
| | Nov | Interim report Q3 2014 | 14 November 2014 |
| | Dec | | |
| 2015 | Jan | | |
| | Feb | Year-end report 2014 | 13 February 2015 |

# Contacts

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*The information in this interim report is such that Cloetta is required to disclose in accordance with the Securities Market Act. The report was released for publication at 8:00 a.m. CET on 14 February 2014.*

# About Cloetta

Cloetta, founded in 1862, is a leading confectionery company in the Nordic region, the Netherlands and Italy. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 10 production units in five countries. Cloetta's class B shares are traded on NASDAQ OMX Stockholm.

## Vision

**To be the most admired satisfier of Munchy Moments**

## Business model

Cloetta's business model is to offer strong local brands in Munchy Moments and provide effective sales and distribution to the retail trade. Together, this will ensure continued positive development of the company's leading market positions.

## Long-term financial targets

- Cloetta's target is to increase organic sales at least in line with market growth.
- Cloetta's target is an underlying EBIT margin of at least 14 per cent.
- Cloetta's long-term target is a net debt/underlying EBITDA ratio of around 2.5.
- Cloetta's long-term intention is a dividend payout of 40–60 per cent of profit after tax.


## Strategies

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

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

## Value drivers

- Strong brands and market positions in a non-cyclical market.
- Excellent availability in the retail trade with the help of a strong and effective sales and distribution organisation.
- Good consumer knowledge and loyalty .
- Innovative product and packaging development.
- Effective production with high and consistent quality.

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