Interim report, Q1 January – March 2014

Stockholm, 25 April 2014

> **Net sales** for the quarter increased by 5.9 per cent to SEK 1,193m (1,127).
> **Operating profit** was SEK 52m (58).
> **Underlying EBIT** was SEK 77m (91).
> **Items affecting comparability** amounted to SEK –21m (–33) and consist mainly of costs related to factory restructurings.
> **Cash flow from operating activities** was SEK 91m (–16).
> **Net debt/underlying EBITDA** was 4.4x (4.7). In the quarter, SEK 34m of loans were amortised.
> **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.

	First quarter			
SEKm	Jan–Mar 2014	Jan–Mar 2013	Change, %	Full year 2013
Net sales	1,193	1,127	5.9[2]	4,893
Operating profit (EBIT)	52	58	–10.3	418
Operating margin (EBIT margin), %	4.4	5.2	–0.8%-pts	8.5
Underlying EBIT[1]	77	91	–15.4	591
Underlying EBIT margin, %[1]	6.7	8.1	–1.4%-pts	12.0
Profit before tax	2	49	–95.9	210
Profit for the period	–12	36	N/A	264
Earnings per share, basic and diluted, SEK	–0.04	0.12	N/A	0.92
Net debt/underlying EBITDA (Rolling 12 months), x	4.4	4.7	–6.4	4.2
Cash flow from operating activities	91	–16	N/A	131

1 Based on constant exchange rates, the current Group structure, excluding acquisition of Nutisal and items affecting comparability related to restructurings.
2 Organic growth at constant exchange rates and comparable units was 0.6% for the quarter. See further under Net sales on page 3.

Message from the CEO

Cloetta increased its sales for the third consecutive quarter.

Cloetta is continuing to grow in a marginally positive total market, but the company's underlying operating profit (EBIT) decreased to SEK 77m (91) for the quarter. The change is mainly due to decreased production volumes, changes in exchange rates, and – to drive continued growth – investments in marketing and sales campaigns. Campaign planning can vary from year to year and thereby affect our earnings for individual quarters.

The changes in exchange rates will be offset through price increases, although they will take some time to implement. Nutisal, which was acquired in January, also impacted the operating profit . The goal for Nutisal to have a positive effect on earnings per share as of 2015 remains.

Operating profit was SEK 52m (58) and the result after tax was SEK –12m (36). The underlying EBIT margin for the quarter was 6.7 per cent (8.1) and the gross margin was 35.5 per cent (37.5). The acquisition of Nutisal, in combination with changes in exchange rates and a lower production volume, are the main explanations for the change in gross margin. Cash flow from operating activities showed a very strong development and improved to SEK 91m (–16).

THE CONFECTIONERY MARKET

The confectionery market showed marginally positive development in Sweden, Norway and Denmark. In the Netherlands, some recovery was noted and the market showed some growth. The market in Finland showed a clear negative development during the quarter. After two quarters of relatively stable development, Italy again showed a weak development, primarily in sugar confectionery.

CONTINUED GROWTH

Our focus on organic growth is paying off and we have now achieved organic growth for three consecutive quarters. In addition, the acquisition of Nutisal has contributed to further boosting our sales growth. Overall, sales were up by 5.9 per cent during the quarter, of which 0.6 per cent was organic growth and 2.3 per cent consisted of changes in exchange rates. Sales increased or were unchanged in all markets except Italy and Norway. Contract manufacturing also decreased. Sales growth was especially marked in Denmark and Germany as a result of increased listings and improved distribution. The drop in sales in Norway was caused by a lower volume in pick & mix. In Italy, sales declined after three quarters of growth with a strong fourth quarter where Cloetta gained market shares. Historically, the first quarter is the smallest quarter for Cloetta in Italy and fourth quarter seasonal sales are by far most important for the business development in the country. Sales of nuts under the Nutisal brand rose during the quarter, but a decrease in contract manufacturing meant that total sales were down compared to the previous year. However, a strong focus on sales under our own Nutisal brand is wholly in line with our long-term strategy.

RESTRUCTURING WORK NEARING COMPLETION

After production at the factory in Gävle was terminated at the end of 2013, most of the last equipment was transferred from the factory during the quarter. In the quarter, production in the receiving factories also developed as planned. The process of taking over production from an external supplier of the chocolate product Tupla to the factory in Ljungsbro is proceeding according to plan and is expected to be completed during the third quarter, at the latest.

INTEGRATION PROCESS FOR NUTISAL ACCORDING TO PLAN

Nutisal, the leader in dry roasted nuts in Sweden, was acquired in January as a step in broadening the product portfolio in Munchy Moments. On 1 April Cloetta's Swedish sales organisation took over sales responsibility for Nutisal. During the quarter Nutisal was launched in Finland. Efforts to integrate the Nutisal factory with Cloetta's processes and systems have been started and are developing according to plan.

PROFITABLE GROWTH STILL IN FOCUS

I am satisfied by the fact that Cloetta has now been able to show organic growth three quarters in a row. This is the result of hard day-to-day work to increase our market shares in a mature market where every customer, every increased exposure, every launch, every new listing and every new customer counts. To further accelerate the growth rate, acquisitions such as Nutisal play an important role, but potential new acquisitions are also possible in order to further drive growth.

Bengt Baron,
President and CEO

Financial overview

FIRST QUARTER DEVELOPMENTS

Net sales

Net sales for the first quarter rose by SEK 66m to SEK 1,193m (1,127) compared to the same period of last year. Adjusted for changes in exchange rates, sales increased by 3.6 per cent in the quarter.

Sales rose or were unchanged in all markets except Italy and Norway. Contract manufacturing also decreased. Sales growth was especially marked in Denmark and Germany as a result of increased listings and improved distribution. The drop in sales in Norway was caused by a lower volume in pick & mix. After three quarters of growth and a strong fourth quarter when Cloetta gained market shares, sales declined in Italy during the first quarter.

Changes in net sales, %	Jan–Mar 2014
Changes in exchange rates	2.3
Structural changes	3.0
Organic growth	0.6
Total	**5.9**

Gross profit

Gross profit amounted to SEK 424m (422), which is equal to a gross margin of 35.5 per cent (37.5).

Operating profit

Operating profit declined to SEK 52m (58).

Underlying EBIT

Underlying EBIT was SEK 77m (91).

Items affecting comparability

Operating profit for the first quarter includes items affecting comparability of SEK –21m (–33).

Net financial items

Net financial items for the quarter amounted to SEK –50m (–9). Net financial items were negatively affected by exchange differences on borrowings and cash in an amount of SEK –1m (37). The foreign exchange difference in the first quarter of 2013 was positively affected by a favourable development of the SEK rate on the revaluation of debt. Cloetta is applying hedge accounting as of 19 July 2013, which reduces the volatility of net financial items arising from the revaluation of monetary assets and liabilities. If hedge accounting had been applied in the first quarter of 2013, the foreign exchange differences on borrowings and cash would have been SEK 2m instead of SEK 37m.

Profit for the period

Profit for the period was SEK –12m (36), which is equal to basic and diluted earnings per share of SEK –0.04 (0.12). Income tax for the period was SEK –14m (–13).

Acquisition of Alrifai Nutisal AB

On 8 January 2014, Cloetta Holland B.V. (a 100% participation of Cloetta AB) acquired control of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) by acquiring 100 per cent of the share capital. The primary reason for the acquisition is to broaden the Cloetta product portfolio as part of its 'Munchy Moments' strategy. Cloetta Nutisal AB owns the brand Nutisal.

For the preliminary accounting for the business combination, see page 16.

CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

Cash flow for the first quarter

Cash flow from operating activities before changes in working capital was SEK –1m (20m). The decrease compared to prior year is due to two payments of interest being the accrued interest for the fourth quarter 2013 (SEK 20m) and the first quarter 2014 (SEK 20m). Additionally the lower operating profit also impacted the cash flow. The cash flow from movements in working capital was SEK 92m (–36m). Cash flow from operating and investing activities was SEK –52m (–39).

Working capital

The improvement in working capital is mainly a result of collection of receivables from seasonal sales in the fourth quarter of 2013. Cash flow from movements in working capital amounted to SEK 92m (–36). The cash flow from movements in working capital excluding the impact of the acquisition of Nutisal amounted to SEK 113m.

Investments

Cash flow from investing activities was SEK –143m (–23). The decrease is mainly the result of the acquisition of Alrifai Nutisal AB (currently known as Nutisal AB) for an amount of SEK 110m. Cash flow from investments in property, plant and equipment and intangibles amounted to SEK –36m (–54).

FINANCIAL POSITION

Consolidated equity at 31 March 2014 amounted to SEK 3,758m (3,283), which is equal to SEK 13.0 per share (11.4). Net debt at 31 March 2014 was SEK 3,304m (3,019). At 31 December 2013, net debt amounted to SEK 3,230m. Adjusted for the impact of the acquisition of Alrifai Nutisal AB by SEK 148m and the impact of exchange rate differences of SEK 17m, net debt would have decreased by SEK 91m in the period.

Non-current borrowings totalled SEK 3,082m (2,380) and consisted of SEK 2,128m (2,428) in gross loans from credit institutions, senior secured notes of SEK 1,000m (0) and SEK –46m (–48) in capitalised transaction costs. Total current borrowings amounted to SEK 290m (888) and consisted of SEK 135m (360) in gross loans from credit institutions, SEK –18m (–19) in capitalised transaction costs, SEK 171m (542) in a credit overdraft facility, and accrued interest on loans from credit institutions and senior secured notes for an amount of SEK 2m (0). The short-term gross loans from credit institutions in an amount of SEK 135m (360) consist of a short-term repayment obligation for the last three quarters of 2014 and the first quarter of 2015.

SEKm	31 Mar 2014	31 Mar 2013	31 Dec 2013
Gross non-current borrowings	2,128	2,428	2,144
Gross current borrowings	135	360	135
Credit overdraft facility	171	542	73
Senior secured notes	1,000	–	1,000
Derivative financial instruments	24	15	23
Interest payable	2	–	22
Gross debt	**3,460**	**3,345**	**3,397**
Cash and cash equivalents	–156	–326	–167
Net debt	**3,304**	**3,019**	**3,230**

Cash and cash equivalents at 31 March 2014, excluding long-term unutilised overdraft facilities, amounted to SEK 156m (326). At 31 March 2014 Cloetta had unutilised overdraft facilities for a total of SEK 516m (168).

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. 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 2,410 (2,410). The impact of the closure of the Gävle plant has been offset by the new employees related to the acquisitions of FTF Sweets Ltd. and Cloetta Nutisal AB.

Events after the balance sheet date

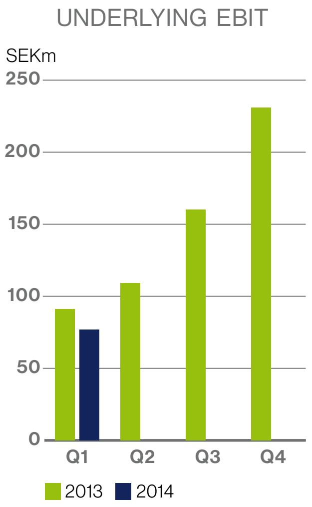
After the end of the reporting period, no significant events have taken place that could affect the company's operations.

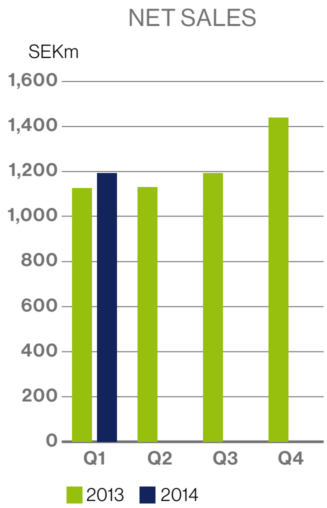
Annual General Meeting

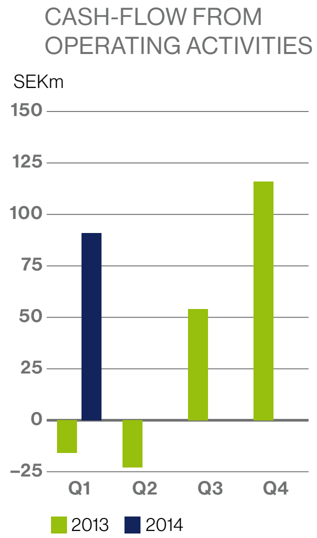
The Annual General Meeting will be held at 2:00 p.m. on Tuesday, 29 April 2014, at Norra Latin, Drottninggatan 71B in Stockholm.

CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

SEKm	First quarter Jan–Mar 2014	First quarter Jan–Mar 2013	Full year 2013
Cash flow from operating activities before changes in working capital	–1	20	408
Cash flow from changes in working capital	92	–36	–277
Cash flow from operating activities	**91**	**–16**	**131**
Cash flows from investments in property, plant and equipment and intangible assets	–36	–54	–211
Other cash flow from investing activities	–107	31	9
Cash flow from investing activities	**–143**	**–23**	**–202**
Cash flow from operating and investing activities	**–52**	**–39**	**–71**







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, 25 April 2014
Cloetta AB (publ)

The Board of Directors

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

Financial statements in summary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

SEKm	First quarter Jan–Mar 2014	First quarter Jan–Mar 2013	Rolling 12 Apr 2013–Mar 2014	Full year 2013
Net sales	1,193	1,127	4,959	4,893
Cost of goods sold	–769	–705	–3,145	–3,081
Gross profit	**424**	**422**	**1,814**	**1,812**
Other income	0	7	5	12
Selling expenses	–203	–206	–847	–850
General and administrative expenses	–169	–165	–560	–556
Operating profit	**52**	**58**	**412**	**418**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	–1	37	–50	–12
Other financial income	1	9	16	24
Other financial expenses	–50	–55	–215	–220
Net financial items	**–50**	**–9**	**–249**	**–208**
Profit/loss before tax	**2**	**49**	**163**	**210**
Income tax expense	–14	–13	53	54
Profit/loss for the period	**–12**	**36**	**216**	**264**
Profit/loss for the period attributable to:				
Owners of the Parent Company	**–12**	**36**	**216**	**264**
Earnings per share, SEK				
Basic	–0,04	0,12	0,75	0,92
Diluted[1]	–0,04	0,12	0,75	0,92
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299
Average numbers of shares (basic)[1]	287,581,689	288,619,299	287,755,098	288,010,947
Average numbers of shares (diluted)[1]	287,657,851	288,619,299	287,789,957	288,026,408

1 Cloetta entered into a long-term forward contract to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of 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 forward contract to repurchase own shares 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	First quarter Jan–Mar 2014	Jan–Mar 2013	Full year 2013
Profit/loss for the period	**–12**	**36**	**264**
Other comprehensive income			
Remeasurement of defined benefit pension plans	–20	37	86
Income tax on other comprehensive income that will not be reclassified subsequently to profit and loss for the period	4	–8	–19
Items that cannot be reclassified to profit or loss for the period	**–16**	**29**	**67**
Hedge of a net investment in a foreign operation	–8	–	–54
Currency translation differences	44	–108	148
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period	2	–	12
Items that have been reclassified or can be reclassified to profit or loss for the period	**38**	**–108**	**106**
Total other comprehensive income	**22**	**–79**	**173**
Total comprehensive income, net of tax	**10**	**–43**	**437**
Total comprehensive income for the period attributable to:			
Owners of the Parent Company	10	–43	437

RESTRUCTURINGS[1,2]

SEKm	First quarter Jan–Mar 2014	Jan–Mar 2013	Rolling 12 Apr 2013–Mar 2014	Full year 2013
Integration and factory restructurings	–21	–33	–155	–167
1 Corresponding line in the consolidated profit and loss account:				
Net sales	–	–	–	–
Cost of goods sold	–11	–11	–121	–121
Other income	0	7	5	12
Selling expenses	–	–	–4	–4
General and administrative expenses	–10	–29	–35	–54
Total	**–21**	**–33**	**–155**	**–167**

2 Excluding exchange rate differences.

CONSOLIDATED BALANCE SHEET

SEKm	31 Mar 2014	31 Mar 2013	31 Dec 2013
Intangible assets	5,505	4,994	5,252
Property, plant and equipment	1,621	1,589	1,660
Deferred tax asset	67	44	73
Derivative financial instruments	–	0	–
Other financial assets	101	86	91
Total non-current assets	**7,294**	**6,713**	**7,076**
Inventories	862	799	798
Other current assets	890	747	933
Cash and cash equivalents	156	326	167
Total current assets	**1,908**	**1,872**	**1,898**
Assets held for sale	67	20	15
TOTAL ASSETS	**9,269**	**8,605**	**8,989**
Equity	**3,758**	**3,283**	**3,747**
Borrowings	3,082	2,380	3,096
Deferred tax liability	387	409	397
Derivative financial instruments	21	0	21
Other non-current liabilities	114	–	2
Provisions for pensions and other long-term employee benefits	382	412	360
Provisions	12	11	7
Total non-current liabilities	**3,998**	**3,212**	**3,883**
Borrowings	290	888	212
Derivative financial instruments	3	15	2
Other current liabilities	1,177	1,162	1,066
Provisions	43	45	79
Total current liabilities	**1,513**	**2,110**	**1,359**
TOTAL EQUITY AND LIABILITIES	**9,269**	**8,605**	**8,989**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan–Mar 2014	Jan–Mar 2013	Full year 2013
Equity at beginning of period	**3,747**	**3,326**	**3,326**
Profit/loss for the period	–12	36	264
Other comprehensive income	22	–79	173
Total comprehensive income	**10**	**–43**	**437**
Transactions with owners			
Forward contract to repurchase own shares	–	–	–19
Share-based payments	1	–	3
Total transactions with owners	**1**	**–**	**–16**
Equity at end of period	**3,758**	**3,283**	**3,747**

CONSOLIDATED CASH FLOW STATEMENT

	First quarter		
SEKm	Jan–Mar 2014	Jan–Mar 2013	Full year 2013
Cash flow from operating activities before changes in working capital	–1	20	408
Cash flow from changes in working capital	92	–36	–277
Cash flow from operating activities	**91**	**–16**	**131**
Cash flows from investments in property, plant and equipment and intangible assets	–36	–54	–211
Other cash flow from investing activities	–107	31	9
Cash flow from investing activities	**–143**	**–23**	**–202**
Cash flow from operating and investing activities	**–52**	**–39**	**–71**
Cash flow from financing activities	**46**	**59**	**–65**
Cash flow for the period	**–6**	**20**	**–136**
Cash and cash equivalents at beginning of period	167	306	306
Cash flow for the period	–6	20	–136
Exchange difference	–5	0	–3
Cash and cash equivalents at end of period	**156**	**326**	**167**

KEY FIGURES

SEKm	First quarter Jan–Mar 2014	First quarter Jan–Mar 2013	Full year 2013
Profit			
Net sales	1,193	1,127	4,893
Net sales, growth, %	5.9	4.0	0.7
Organic net sales, growth, %	0.6	–3.3	–1.0
Gross margin, %	35.5	37.5	37.0
Underlying EBITDA	123	134	766
Underlying EBITDA margin, %	10.7	11.9	15.6
Depreciation	–47	–43	–175
Amortisation	–1	0	–2
Underlying EBIT	77	91	591
Underlying EBIT margin, %	6.7	8.1	12.0
Restructuring	–21	–33	–167
Operating profit (EBIT)	52	58	418
Operating profit margin (EBIT margin), %	4.4	5.2	8.5
Profit margin, %	0.2	4.4	4.3
Financial position			
Working capital	673	484	763
Capital expenditure	–36	–54	–211
Net debt	3,304	3,019	3,230
Capital employed	7,537	6,978	7,438
Return on capital employed, % (Rolling 12 months)	5.8	2.6	6.1
Equity/assets ratio, %	40.5	38.2	41.7
Net debt/equity ratio, %	87.9	92.0	86.2
Return on equity, % (Rolling 12 months)	5.7	2.5	7.0
Equity per share, SEK	13.0	11.4	13.0
Net debt/underlying EBITDA (Rolling 12 months)	4.4	4.7	4.2
Cash flow			
Cash flow from operating activities	91	–16	131
Investments in non-current assets	–143	–23	–202
Cash flow after investments	–52	–39	–71
Cash conversion, %	70.7	59.7	72.5
Cash flow from operating activities per share, SEK	0.3	–0.1	0.5
Employees			
Average number of employees	2,410	2,410	2,472

QUARTERLY DATA

SEKm	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
PROFIT AND LOSS ACCOUNT									
Net sales	1,193	1,441	1,194	1,131	1,127	1,404	1,159	1,212	1,084
Cost of goods sold	–769	–939	–741	–696	–705	–930	–730	–799	–698
Gross profit	**424**	**502**	**453**	**435**	**422**	**474**	**429**	**413**	**386**
Other income	0	0	2	3	7	9	4	0	0
Selling expenses	–203	–219	–197	–228	–206	–211	–185	–270	–222
General and administrative expenses	–169	–108	–127	–156	–165	–190	–158	–196	–158
Operating profit/loss	**52**	**175**	**131**	**54**	**58**	**82**	**90**	**–53**	**6**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	–1	–5	34	–78	37	39	–14	–9	4
Other financial income	1	2	2	11	9	2	0	1	2
Other financial expenses	–50	–45	–66	–54	–55	–51	–46	–69	–124
Net financial items	**–50**	**–48**	**–30**	**–121**	**–9**	**–10**	**–60**	**–77**	**–118**
Profit/loss before tax	**2**	**127**	**101**	**–67**	**49**	**72**	**30**	**–130**	**–112**
Income tax expense	–14	59	–15	23	–13	83	–17	8	–7
Profit/loss for the period	**–12**	**186**	**86**	**–44**	**36**	**155**	**13**	**–122**	**–119**
Profit/loss for the period attributable to:									
Owners of the Parent Company	–12	186	86	–44	36	155	13	–122	–119
KEY FIGURES									
Underlying EBIT	77	231	160	109	91	201	124	51	47
Underlying EBITDA	123	274	205	148	139	244	168	93	92
Return on equity, %	5.7	7.0	6.7	4.6	2.5	–2.2	–3.2	–3.9	–3.0
Equity per share, SEK	13.0	13.0	12.0	11.9	11.4	11.5	11.2	11.5	11.0
Net debt/underlying EBITDA (Rolling 12 months)	4.4	4.2	4.4	4.6	4.7	5.1	5.3	5.2	6.4
Cash flow from operating activities per share, SEK	0.3	0.4	0.2	–0.1	–0.1	0.5	0.3	0.5	–0.1

Parent Company

SUMMARY PARENT COMPANY PROFIT AND LOSS ACCOUNTS

SEKm	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Net sales	24	11	86
Gross profit	**24**	**11**	**86**
Other income	0	6	12
General and administrative expenses	–29	–31	–124
Operating profit/loss	**–5**	**–14**	**–26**
Net financial items	–7	–8	29
Profit/loss before tax	**–12**	**–22**	**3**
Income tax expense	3	5	–1
Profit/loss for the period	**–9**	**–17**	**2**

SUMMARY PARENT COMPANY BALANCE SHEETS

SEKm	31 Mar 2014	31 Mar 2013	31 Dec 2013
ASSETS			
Non-current assets	**5,166**	**4,629**	**5,157**
Current assets	**113**	**92**	**89**
TOTAL ASSETS	**5,279**	**4,721**	**5,246**
EQUITY AND LIABILITIES			
Equity	**4,213**	**4,199**	**4,221**
Non-current liabilities			
Borrowings	986	287	988
Provisions	1	–	1
Total non-current liabilities	**987**	**287**	**989**
Current liabilities			
Borrowings	–	216	–
Current liabilities	79	19	36
Total current liabilities	**79**	**235**	**36**
TOTAL EQUITY AND LIABILITIES	**5,279**	**4,721**	**5,246**
Pledged assets	4,623	4,623	4,623
Contingent liabilities	3,170	2,999	3,078

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	Jan–Mar 2014	Jan–Mar 2013	Jan–Dec 2013
Equity at beginning of period	**4,221**	**4,216**	**4,216**
Profit/loss for the period	–9	–17	2
Total comprehensive income	**4,212**	**4,199**	**4,218**
Share-based long-term incentive plan	1	–	3
Total transactions with owners	**1**	**–**	**3**
Equity at end of period	**4,213**	**4,199**	**4,221**

Disclosures, risk factors and accounting policies

DISCLOSURES

Parent Company

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January to 31 March 2014. Net sales in the Parent Company reached SEK 24m (11) and referred mainly to intra-group services. Operating profit was SEK –5m (–14). Net financial items totalled SEK –7m (–8). Profit before tax was SEK –12m (–22) and profit after tax was SEK –9m (–17). Cash and cash equivalents and short-term investments amounted to SEK 0m (9).

The Cloetta share

Cloetta's class B share is listed on NASDAQ OMX Stockholm, Mid Cap. During the period from 1 January to 31 March 2014, a total of 43,747,254 shares were traded for a combined value of SEK 954m, equal to around 16 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 March 2014 was SEK 23.90 (20 February) and the lowest was SEK 19.40 (2 January). The share price on 31 March 2014 was SEK 23.60 (last price paid). During the period from 1 January to 31 March 2014, the Cloetta share rose by 22 per cent while the NASDAQ OMX Stockholm PI index rose by 4 per cent.

Cloetta's share capital at 31 March 2014 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 March 2014 Cloetta AB had 6,773 shareholders (6,321 at 31 December 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. AMF was the second largest shareholder with a holding corresponding to 10.4 per cent of the votes and 13.7 per cent of the share capital. The third largest shareholder was Lannebo Fonder with a holding corresponding to 6.7 per cent of the votes and 8.8 per cent of the share capital in the company.

Institutional investors held 92.7 per cent of the votes and 90.4 per cent of the share capital. Foreign shareholders held 18.2 per cent of the votes and 23.8 per cent of the share capital.

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 were considered to be related parties up to 27 November 2013. Buying and selling of goods and services between Cloetta and the principal shareholders are regarded as related party transactions. 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 March 2014 amounted to SEK 24m (11), equal to 100 per cent of each period's total sales. At 31 March 2014 the Parent Company's receivables from subsidiaries amounted to SEK 648m (155) and liabilities to subsidiaries amounted to SEK 40m (69). Transactions with related parties are priced on market-based terms. Total costs related to LTI 2013 that were recognised in the first quarter of 2014 amount to SEK 1.5m, of which SEK 0.4m is related to group management.

Taxes

In the first quarter, non-deductable interest and expenses and adjustment of a filing position for tax of prior periods that was recognised in the period had a negative effect on the income tax recognised in the consolidated profit and loss accounts. 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 2013 and consist of industry and market-related risks, operational risks and financial risks. Compared to the annual report for 2013, which was issued on 14 March 2014, 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 2014. 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, except for new standards and amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2014 that have not been already applied in preparing the 2013 consolidated Financial Statements.

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 considerations related to the acquisition of FTF Sweets Ltd. and Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) categorised at level 3, as well as assets held for sale, in cases where 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 at 31 March 2014

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	67	67
Total assets	–	–	67	67
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	5	–	5
- Contingent earn-out consideration	–	–	115	115
Total liabilities	–	5	115	120

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

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current 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 following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2013

SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
- Non-current assets measured at fair value	–	–	20	20
Total assets	–	–	20	20
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	15	–	15
- Contingent earn-out consideration	–	–	–	–
Total liabilities	–	15	–	15

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

SEKm	Jan–Mar 2014	Jan–Mar 2013	Full Year 2013
Opening Balance	2	–	–
Business Combinations	110	–	11
Remeasurements recognised in profit and loss	3	–	–9
Closing Balance	115	–	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 assets 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 assets measured at fair value are identified as a non-recurring fair value measurement and are related to the assets held for sale. The assets are valued at fair value because the fair value less costs to sell is below the carrying amount. The contingent earn-out liabilities are 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 contracts. In Q1 the contingent earn-out liability related to the acquisition of Cloetta Nutisal AB which is included in the preliminary purchase price allocation resulted in an increase of the contingent liability.

For the interest rate swaps, see the financial position paragraph on page 4. For detailed information about the accounting policies, see Cloetta's annual report for 2013 at www.cloetta.com.

Changed accounting standards

The Group has applied the revised IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interest in Other Entities" and IFRIC 21, "Levies" with effect from the first quarter 2014. The changes in these standards have not had a material impact on the recognition or measurement and the financial reporting disclosure requirements.

ACQUISITION OF ALRIFAI NUTISAL AB

On 8 January 2014, Cloetta Holland B.V. acquired control of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) by means of acquiring 100 per cent of the share capital. The primary reason for the acquisition is to broaden the Cloetta product portfolio as part of its 'Munchy Moments' strategy.

SEKm	
Consideration paid	
Cash paid	110
Contingent consideration	110
Consideration transferred	**220**
Recognised amounts of identifiable assets and liabilities assumed:	
Non-current assets	**219**
Intangible assets (excl. goodwill)	147
Property, plant and equipment	24
Other non-current assets	48
Current assets	**82**
Inventories	49
Trade and other receivables	32
Cash and cash equivalents	1
Non-current liabilities	**–39**
Borrowings	–2
Other non-current liabilities	–32
Provisions	–5
Current liabilities	**–100**
Borrowings	–18
Other current liabilities	–82
Total identifiable net assets	**162**
Goodwill	58
Consideration transferred	**220**

The total consideration comprises SEK 110m in cash and a contingent consideration measured at a fair value of SEK 110m. The contingent consideration will be at least SEK 50m and a maximum of SEK 300m, and is based on the adjusted results for the financial year 2016. The contingent consideration is categorised at level 3 of the fair value hierarchy.

The goodwill of SEK 58m relates primarily to the potential of new distribution channels, the workforce and expected cost synergies.

The contingent liabilities recognised as part of the purchase price allocation amount to SEK 5m. The selling shareholders of Cloetta Nutisal AB have contractually agreed to indemnify the company for certain liabilities under the terms and conditions of the sales and purchase agreement for an amount of SEK 5m.

The total transaction costs related to the acquisition amounted to SEK 0.3m and are fully recognised in the profit and loss account for the period concerned as "General and administrative expenses".

Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows which are expected not to be collected are immaterial. Had Cloetta Nutisal AB been consolidated from 1 January 2013, it would have (pro forma) contributed SEK 187m to consolidated net sales and (pro forma) SEK –22m to profit for the year.

Cloetta Nutisal AB was acquired at 8 January 2014. The accounting for the business combination is preliminary and has not yet been finalised.

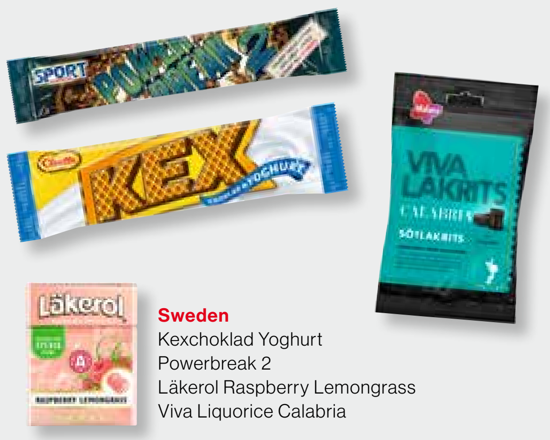
The goodwill acquired is allocated to the Scandinavia cash generating unit.

Selection of key product launches during Q1

The Netherlands
Sportlife Peppermint
Sportlife Dropmint
Sportlife Sweetmint
Venco Drops Exotic
Venco Drops Salmiak

Finland
Center Nougat
Center Toffee

Italy
Galatine Soft



Sweden
Kexchoklad Yoghurt
Powerbreak 2
Läkerol Raspberry Lemongrass
Viva Liquorice Calabria

Denmark
Läkerol Raspberry Lemongrass
Skipper's Pipes Seasalt

Norway
Powerbreak 2
Läkerol Raspberry Lemongrass
Viva Liquorice Calabria
Chewits

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 acquisition of Nutisal and items affecting 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 has been 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 Mar 2014	31 Mar 2013	31 Dec 2013
EUR, average	8.8726	8.4988	8.6513
EUR, end of period	8.9430	8.3470	8.8630
NOK, average	1.0616	1.1421	1.1071
NOK, end of period	1.0827	1.1132	1.0592
GBP, average	10.7170	9.9100	10.1987
GBP, end of period	10.7955	9.8898	10.6501
DKK, average	1.1890	1.1395	1.1601
DKK, end of period	1.1980	1.1200	1.1882

FINANCIAL CALENDAR

2014	APRIL	AGM in Stockholm	29 April 2014
	MAY		
	JUNE		
	JULY	Interim report Q2 2014	18 July 2014
	AUGUST		
	SEPTEMBER		
	OCTOBER		
	NOVEMBER	Interim report Q3 2014	14 November 2014
	DECEMBER		
2015	JANUARY		
	FEBRUARY	Year-end report 2014	13 February 2015

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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 25 April 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/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.

Cloetta

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