Cloetta

Interim report, Q2
April – June 2014

Stockholm, 18 July 2014

> **Net sales** for the quarter increased by 9.5 per cent to SEK 1,238m (1,131).

> **Operating profit** was SEK 85m (54).

> **Underlying EBIT** was SEK 110m (109).

> **Items affecting comparability** amounted to SEK –24m (–55) and consist of cost related to the acquisitions of Alrifai Nutisal AB and Aran Candy Ltd. and costs related to the factory restructurings.

> **Cash flow from operating activities** was SEK 44m (–23).

> **Net debt/underlying EBITDA** was 4.6x (4.6). In the quarter, loans of SEK 34m were amortised.

> **On 28 May 2014, Cloetta acquired Aran Candy Ltd. owning the brand The Jelly Bean Factory.** Initially, Cloetta has acquired 75 per cent of the shares in Aran Candy Ltd.

	Second quarter			6 months			
SEKm	Apr–Jun 2014	Apr–Jun 2013	Change, %	Jan–Jun 2014	Jan–Jun 2013	Change, %	Full year 2013
Net sales	1,238	1,131	9.5[2]	2,431	2,258	7.7[3]	4,893
Operating profit (EBIT)	85	54	57.4	137	112	22.3	418
Operating margin (EBIT margin), %	6.9	4.7	2.2 %-pts	5.6	4.9	0.7 %-pts	8.5
Underlying EBIT[1]	110	109	0.9	187	200	–6.5	591
Underlying EBIT margin, %[1]	9.4	9.6	–0.2 %-pts	8.1	8.7	–0.6 %-pts	12.0
Profit before tax	19	–67	n/a	21	–18	n/a	210
Profit for the period	9	–44	n/a	–3	–8	n/a	264
Earnings per share, basic and diluted, SEK	0.03	–0.15	n/a	–0.01	–0.03	n/a	0.92
Net debt/underlying EBITDA (Rolling 12 months), x	4.6	4.6	–	4.6	4.6	–	4.2
Cash flow from operating activities	44	–23	n/a	135	–39	n/a	131

1 Based on constant exchange rates and current group structure, excluding the acquisitions of Nutisal and The Jelly Bean Factory and items affecting comparability related to restructurings.
2 Organic growth at constant exchange rates and comparable units was 2.2 per cent for the quarter. See further under net sales on page 3.
3 Organic growth at constant exchange rates and comparable units was 1.4 per cent for the first half year. See further under net sales on page 3.

Message from the CEO

Increased sales and improved operating profit.

Cloetta has continued to grow and showed growth for the fourth consecutive quarter. At the same time, both operating profit (EBIT) and underlying operating profit improved. This improvement took place despite the fact that EBIT for the quarter was impacted by negative currency effects. The changes in exchange rates that arose during the first quarter will be offset through price increases that were implemented as of 1 July 2014.

Operating profit improved significantly to SEK 85m (54), mainly because our restructuring costs are coming to an end, entirely according to plan. As a result, our underlying EBIT is increasingly converging with the operating profit. Underlying EBIT improved somewhat, despite the negative currency impact, to SEK 110m (109). The underlying EBIT margin for the quarter was 9.4 per cent (9.6). Profit after tax increased to SEK 9m (–44). Cash flow from operating activities strengthened to SEK 44m (–23).

THE CONFECTIONERY MARKET

The market for confectionery has predominantly been flat to slightly negative in our markets, except Sweden where the market was positive. In Finland the market continued to be weak and in the Netherlands the market declined after a positive first quarter. The Italian market continued to decline during the second quarter. Thus, the Italian market continues to be unstable.

CLOETTA SHOWING CONTINUED GROWTH

Our efforts to drive growth, both organic and through acquisitions, are delivering results. For the fourth consecutive quarter, we achieved organic growth in spite of the negative sales development in Italy and reduced sales of contract manufacturing. In addition, the acquisitions of Nutisal and The Jelly Bean Factory are contributing further to our growth momentum. In total, sales were up by 9.5 per cent during the quarter, of which 2.2 per cent was organic growth and 3.7 per cent consisted of currency effects.

Sales increased in all markets, aside from Italy. Sales growth was strong in most markets, driven by both new product launches and a sustained focus on existing products. Furthermore, Cloetta's market shares grew in the majority of markets.

Sales of nuts under the Nutisal brand showed positive development, but a continued sharp decrease in contract manufacturing compared to last year meant that total sales of nuts were down. We will continue to focus on driving branded sales over contract manufacturing.

RESTRUCTURING PROGRAMME NEARLY COMPLETED

The factories that have taken over production from the closed factory in Gävle are now producing the same volume as the Gävle factory before its closure. This milestone means that the factory restructuring process, that was initiated in 2012, can be considered essentially completed. Production of the chocolate product Tupla in Ljungsbro has started and production is expected to be fully insourced during the third quarter.

ACQUISITION OF THE JELLY BEAN FACTORY CONTRIBUTES TO PROFITABLE GROWTH

In May, Cloetta acquired the Irish company Aran Candy Ltd. and its brand The Jelly Bean Factory. The acquisition is yet another step in the strategy to expand our offering within Munchy Moments. This will significantly strengthen Cloetta's position in the UK and the premium brand can be rolled out in our current core markets over time. The Jelly Bean Factory will contribute to continued profitable growth for Cloetta.

GROWTH FOCUS PAYING OFF

We are executing in line with the laid out strategy. The factory restructurings are virtually completed, organic sales are growing, and we have been able to make complementary acquisitions to further boost the growth rate. The new pick-and-mix concept that we will start to deliver to Coop Sweden in 2015 will also contribute to accelerating growth. In terms of profitability, we have taken a step in the right direction during the quarter. Looking ahead, we will continue to focus on profitable growth and integration of the acquisitions we have made, while at the same time ensuring that the final synergies from the factory restructurings are realised.

Bengt Baron,
President and CEO

Financial overview

SECOND QUARTER DEVELOPMENTS

Net sales

Net sales for the second quarter were up by SEK 107m to SEK 1,238m (1,131) compared to the same period of last year. Adjusted for changes in exchange rates, sales increased by 5.8 per cent in the quarter.

Sales increased in all markets except Italy. Contract manufacturing also continued to decline. Sales growth was strong in most markets, driven by both new product launches and a sustained focus on existing products. Furthermore, Cloetta's market shares grew in the majority of markets.

Changes in net sales, %	Apr–Jun 2014	Jan–Jun 2014
Changes in exchange rates	3.7	3.0
Structural changes	3.6	3.3
Organic growth	2.2	1.4
Total	**9.5**	**7.7**

Gross profit

Gross profit amounted to SEK 468m (435), which is equal to a gross margin of 37.8 per cent (38.4).

Operating profit

Operating profit increased to SEK 85m (54). The improvement is mainly due to lower restructuring costs.

Underlying EBIT

Underlying EBIT was SEK 110m (109).

Items affecting comparability

Operating profit for the second quarter includes items affecting comparability of SEK –24m (–55). These consists of both costs related to the acquisitions of Alrifai Nutisal AB and Aran Candy Ltd. and costs related to the factory restructurings SEK –24m (–51) and exchange differences of SEK 0m (–4).

Net financial items

Net financial items for the quarter amounted to SEK –66m (–121). Net financial items were affected by exchange differences on borrowings and cash in an amount of SEK –3m (–78). 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. The other financial income and expenses of SEK –63m (–43) were impacted by the fair value adjustments on the unrealised interest swaps for an amount of SEK –13m (5).

Profit for the period

Profit for the period was SEK 9m (–44), which is equal to basic and diluted earnings per share of SEK 0.03 (–0.15). Income tax for the period was SEK –10m (23).

Acquisition of Aran Candy Ltd.

On 28 May 2014, Cloetta acquired 75 per cent of the shares in Aran Candy Ltd. which owns the brand The Jelly Bean Factory – an Irish company that produces and sells gourmet jelly beans worldwide. The acquisition will significantly strengthen Cloetta's position in the UK. The jelly beans from The Jelly Bean Factory are premium gourmet jelly beans produced in 36 different natural flavours. The primary motive for the acquisition is to broaden Cloetta's product portfolio as part of its 'Munchy Moments' strategy. For the preliminary accounting of the business combination, see page 18.

DEVELOPMENT IN THE FIRST HALF OF THE YEAR

Net sales

Net sales for the first half of the year increased by SEK 173m to SEK 2,431m (2,258) compared to the same period of last year. Adjusted for changes in exchange rates, sales increased by 4.7 per cent in the first half of 2014.

Sales increased in all markets except Italy. Contract manufacturing also declined. The lower sales in Italy are mainly attributable to weak market development.

Gross profit

Gross profit amounted to SEK 892m (857), which is equal to a gross margin of 36.7 per cent (38.0).

Operating profit

Operating profit amounted to SEK 137m (112). The improvement is primarily due to lower restructuring costs.

Underlying EBIT

Underlying EBIT was SEK 187m (200). The decrease is mainly due to changes in exchange rates and increased investments in marketing and sales campaigns during the first quarter.

Items affecting comparability

Operating profit for the first half of the year includes total items affecting comparability of SEK –45m (–88). These consist of both costs related to the acquisitions of Alrifai Nutisal AB and Aran Candy Ltd. and costs related to the factory restructurings of SEK –45m (–84) and exchange differences of SEK 0m (–4) .

Net financial items

Net financial items for the first half of the year amounted to SEK –116m (–130). Net financial items were affected by exchange differences on borrowings and cash in an amount SEK –4m (–41). The other financial income and expenses of SEK –112m (–89) were impacted by the fair value adjustments on the unrealised interest swaps for an amount of SEK –14m (10).

Profit for the period

Profit for the first half of the year was SEK –3m (–8), which is equal to basic and diluted earnings per share of SEK –0.01 (–0.03). Income tax for the period was SEK –24m (10).

Acquisitions and divestments

In the first quarter, Cloetta Holland B.V. (which is wholly owned by Cloetta AB) acquired control of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) by acquiring 100 per cent of the share capital. In the second quarter, Cloetta Holland BV incorporated Cloetta Ireland Holding Ltd. Cloetta Ireland Holding Ltd acquired 100 per cent of the ordinary shares and 0 per cent of the A-shares, representing 75 per cent of the total shares of Aran Candy Ltd. The ordinary shares entitle Cloetta to 100 per cent of the profit and dividend as well as 100 per cent of the voting rights.

CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

Cash flow for the second quarter

Cash flow from operating activities was SEK 44m (–23). Cash flow from operating activities before changes in working capital was SEK 74m (24). The improvement compared to the prior year is mainly the result of a higher operating profit. The cash flow from movements in working capital was SEK –30m (–47). Cash flow from operating and investing activities was SEK –71m (–102).

Working capital

The cash flow from movements in working capital was SEK –30m (–47). The negative movement in the quarter partly relates to increased inventory from the realisation of the last parts of the manufacturing strategy and somewhat lower sales in Italy. Excluding the impact of the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and Aran Candy Ltd., the cash flow from movements in working capital amounted to SEK –25m.

Investments

Cash flow from investing activities was SEK –115m (–79). The decrease is mainly attributable to the acquisition of Aran Candy Ltd. for a net amount of SEK 124m, which was partly offset by the proceeds of SEK 53m from the sale of the Gävle property. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK –44m (–54).

Cash flow for the first half of the year

Cash flow from operating activities was SEK 135m (–39). Cash flow from operating activities before changes in working capital was SEK 73m (44). The improvement compared to prior year is mainly the result of a higher operating profit. The cash flow from movements in working capital was SEK 62m (–83m). Cash flow from operating and investing activities was SEK –123m (–141).

Working capital

The cash flow from movements in working capital was SEK 62m (–83). The improvement in working capital is mainly the result of the collection of receivables from seasonal sales in the fourth quarter of 2013 partly offset by negative movement related to increased inventory from the realisation of the last parts of the manufacturing strategy and somewhat lower sales in Italy. Excluding the impact of the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and Aran Candy Ltd., the cash flow from movements in working capital amounted to SEK 88m.

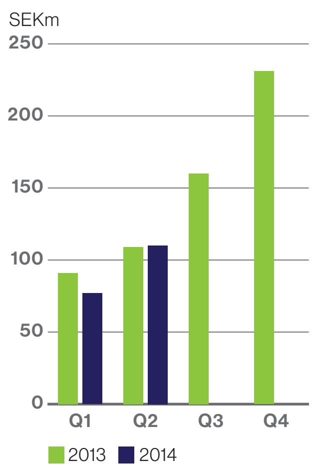
Investments

Cash flow from investing activities was SEK –258m (–102). The increase is mainly attributable to the acquisitions of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) for an amount of SEK 110m and Aran Candy Ltd. for a net amount of SEK 124m, which was partly offset by the proceeds of SEK 53m from the sale of the Gävle property. The cash flow from investments in property, plant and equipment and intangibles amounted to SEK –80m (–108).

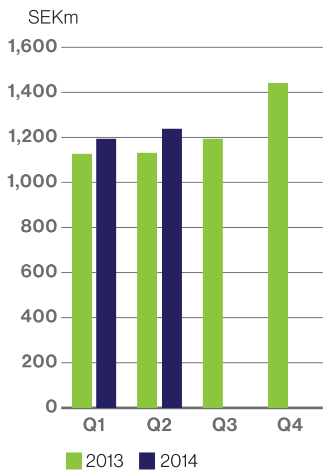
FINANCIAL POSITION

Consolidated equity at 30 June 2014 amounted to SEK 3,820m (3,444), which is equal to SEK 13.2 per share (11.9). Net debt at 30 June 2014 was SEK 3,493m (3,244). Non-current borrowings totalled SEK 3,103m (2,390) and consisted of SEK 2,144m (2,435) in gross loans from credit institutions, senior secured

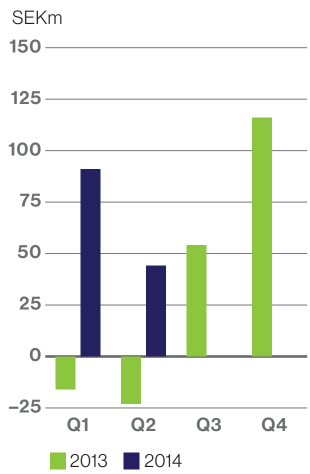
UNDERLYING EBIT



NET SALES



CASH FLOW FROM OPERATING ACTIVITIES



notes of SEK 1,000m (0) and SEK –41m (–45) in capitalised transaction costs. Total current borrowings amounted to SEK 425m (903) and consisted of SEK 135m (360) in gross loans from credit institutions, SEK –19m (–21) in capitalised transaction costs, SEK 307m (564) 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 two quarters of 2014 and the first two quarters of 2015.

SEKm	30 Jun 2014	30 Jun 2013	31 Dec 2013
Gross non-current borrowings	2,144	2,435	2,144
Gross current borrowings	135	360	135
Credit overdraft facility	307	564	73
Senior secured notes	1,000	–	1,000
Derivative financial instruments	62	24	23
Interest payable	2	–	22
Gross debt	**3,650**	**3,383**	**3,397**
Cash and cash equivalents	–157	–139	–167
Net debt	**3,493**	**3,244**	**3,230**

Cash and cash equivalents at 30 June 2014, excluding long-term unutilised overdraft facilities, amounted to SEK 157m (139). At 30 June 2014 Cloetta had unutilised overdraft facilities for a total of SEK 376m (145).

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 at the factory in Gävle, Sweden, was terminated by year-end 2013. The rationalisation of warehousing operations in Scandinavia was completed in 2013. During the quarter, the Gävle property that was classified as asset held for sale was sold.

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 2,452 (2,409). The impact of the closure of the Gävle plant has been offset by the new employees related to the acquisitions of Cloetta Nutisal AB and Aran Candy Ltd.

Long-term share-based incentive plan

The Annual General Meeting approved the Board's proposal regarding the introduction of a long-term share-based incentive plan (LTI 2014). LTI 2014 covers 49 employees consisting of the Group Management and certain key employees in the Cloetta Group, divided into two categories. The first category is comprised of 32 employees who have been considered to have a significant direct impact on Cloetta's results. The second category is comprised of 17 employees, consisting of individuals who have been considered to have an indirect impact on Cloetta's results. To participate in LTI 2014, the participant must have a personal shareholding in Cloetta, which shall be allocated to LTI 2014. As a maximum, the participant may invest approximately 10 per cent of his or her annual salary for 2014 before tax in LTI 2014. For the first category of participants, each Investment Share gives entitlement to one matching share right ("Matching Share Right") and four performance share rights ("Performance Share Right") (together referred to as "Share Rights"). For the second category, each Investment Share gives entitlement to one Matching Share Right and two Performance Share Rights. The Share Rights were granted to the participants following the Annual General Meeting 2014 in connection with, or shortly after, an agreement was signed between the participants and Cloetta concerning participation in LTI 2014. Following a defined vesting period, the participants will be allocated class B shares in Cloetta free of charge provided that certain conditions are fulfilled. In order for so-called Matching Share Rights to entitle the participant to class B shares in Cloetta, continued employment with Cloetta is required and the

CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES

	Second quarter		6 months		
SEKm	Apr–Jun 2014	Apr–Jun 2013	Jan–Jun 2014	Jan–Jun 2013	Full year 2013
Cash flow from operating activities before changes in working capital	74	24	73	44	408
Cash flow from changes in working capital	–30	–47	62	–83	–277
Cash flow from operating activities	**44**	**–23**	**135**	**–39**	**131**
Cash flows from investments in property, plant and equipment and intangible assets	–44	–54	–80	–108	–211
Other cash flow from investing activities	–71	–25	–178	6	9
Cash flow from investing activities	**–115**	**–79**	**–258**	**–102**	**–202**
Cash flow from operating and investing activities	**–71**	**–102**	**–123**	**–141**	**–71**

personal shareholding in Cloetta must be continuously maintained. In addition, allocation of class B shares on the basis of Performance Share Rights requires the attainment of two performance targets, one of which is related to Cloetta's EBITA and the other to Cloetta's net sales value.

The maximum number of class B shares in Cloetta which may be allocated under LTI 2014 shall be limited to 1,004,555 (subject to possible recalculation), representing approximately 0.3 per cent of the outstanding shares and 0.3 per cent of the outstanding votes. Total costs related to LTI 2014 that are recognised in the second quarter amount to SEK 1m.

Cloetta entered into a long-term forward contract to repurchase own shares in order to fulfil its future obligation to deliver the shares to the participants. The long-term forward contract to repurchase own shares is measured at cost.

Events after the balance sheet date

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Selection of key product launches during Q2

Ahlgrens bilar
Glassbilar
Launched in Sweden and Norway.

Polly
Polly Goes Bananas
Launched in Sweden.

Läkerol
Frutiñho and Lakrição
Launched in Sweden and Norway.

Center
Salmiak
Launched in Norway.

Plopp
Kaktus Päron
Launched in Sweden.

Malaco
Gott & blandat Söta klassiker
Launched in Sweden.
Gott & blandat Salt
Launced in Norway.
TV Mix Comedy and TV Mix Crime
Launched in Finland.

Goody Good Stuff
Candy free from gluten, lactose, gelatine and nuts, made with natural colours and flavours.
Launched in Sweden and the Netherlands.

Cloetta
CrispyToffelnut, Crispy Jogood and Crispy Chocowoffel
Launched in Finland.

Jenkki
Lemon-lime and Raspberry
Launched in Finland.

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, 18 July 2014
Cloetta AB (publ)

Caroline Sundewall
Chairman

Ann Carlsson
Member of the Board

Lilian Fossum Biner
Member of the Board

Adriaan Nühn
Member of the Board

Mikael Svenfelt
Member of the Board

Olof Svenfelt
Member of the Board

Lena Grönedal
Employee Board member

Bengt Baron
President and CEO

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

Financial statements in summary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

SEKm	Second quarter Apr–Jun 2014	Second quarter Apr–Jun 2013	6 months Jan–Jun 2014	6 months Jan–Jun 2013	Rolling 12 Jul 2013–Jun 2014	Full year 2013
Net sales	1,238	1,131	2,431	2,258	5,066	4,893
Cost of goods sold	–770	–696	–1,539	–1,401	–3,219	–3,081
Gross profit	**468**	**435**	**892**	**857**	**1,847**	**1,812**
Other income	1	3	1	10	3	12
Selling expenses	–257	–228	–460	–434	–876	–850
General and administrative expenses	–127	–156	–296	–321	–531	–556
Operating profit	**85**	**54**	**137**	**112**	**443**	**418**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	–3	–78	–4	–41	25	–12
Other financial income	2	11	3	20	7	24
Other financial expenses	–65	–54	–115	–109	–226	–220
Net financial items	**–66**	**–121**	**–116**	**–130**	**–194**	**–208**
Profit/loss before tax	**19**	**–67**	**21**	**–18**	**249**	**210**
Income tax	–10	23	–24	10	20	54
Profit/loss for the period	**9**	**–44**	**–3**	**–8**	**269**	**264**
Profit/loss for the period attributable to:						
Owners of the Parent Company	**9**	**–44**	**–3**	**–8**	**269**	**264**
Earnings per share, SEK						
Basic	0.03	–0.15	–0.01	–0.03	0.94	0.92
Diluted[1]	0.03	–0.15	–0.01	–0.03	0.94	0.92
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Average numbers of shares (basic)[1]	287,424,546	288,619,299	287,502,683	288,619,299	287,542,511	288,010,947
Average numbers of shares (diluted)[1]	287,626,010	288,619,299	287,578,465	288,619,299	287,575,794	288,026,408

1 Cloetta entered into two long-term forward contracts 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 contracts to repurchase own shares. The two contracts covers a total of 2,137,610 Cloetta AB shares. One contract covers 937,610 Cloetta AB shares for an amount of SEK 18.50678 per share and the other contract covers 1,200,000 Cloetta AB shares for an amount of SEK 23.00000 per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Second quarter Apr–Jun 2014	Second quarter Apr–Jun 2013	6 months Jan–Jun 2014	6 months Jan–Jun 2013	Full year 2013
Profit/loss for the period	**9**	**–44**	**–3**	**–8**	**264**
Other comprehensive income					
Remeasurement of defined benefit pension plans	–17	30	–37	67	86
Income tax on other comprehensive income that will not be reclassified subsequently to profit and loss for the period	3	–7	7	–15	–19
Items that cannot be reclassified to profit or loss for the period	**–14**	**23**	**–30**	**52**	**67**
Hedge of a net investment in a foreign operation	–20	–	–28	–	–54
Currency translation differences	107	201	151	93	148
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period	4	–	6	–	12
Items that have been reclassified or can be reclassified to profit or loss for the period	**91**	**201**	**129**	**93**	**106**
Total other comprehensive income	**77**	**224**	**99**	**145**	**173**
Total comprehensive income, net of tax	**86**	**180**	**96**	**137**	**437**
Total comprehensive income for the period attributable to:					
Owners of the Parent Company	86	180	96	137	437

RESTRUCTURINGS[1]

SEKm	Second quarter Apr–Jun 2014	Second quarter Apr–Jun 2013	6 months Jan–Jun 2014	6 months Jan–Jun 2013	Rolling 12 Jul 2013–Jun 2014	Full year 2013
Integration and factory restructurings	–24	–51	–45	–84	–128	–167
1 Corresponding line in the consolidated profit and loss account:						
Net sales	–	–	–	–	–	–
Cost of goods sold	–18	–20	–29	–31	–119	–121
Other income	0	3	0	10	2	12
Selling expenses	–	–4	–	–4	0	–4
General and administrative expenses	–6	–30	–16	–59	–11	–54
Total	**–24**	**–51**	**–45**	**–84**	**–128**	**–167**

CONSOLIDATED BALANCE SHEET

SEKm	30 Jun 2014	30 Jun 2013	31 Dec 2013
Intangible assets	5,786	5,209	5,252
Property, plant and equipment	1,651	1,654	1,660
Deferred tax asset	69	43	73
Derivative financial instruments	–	3	–
Other financial assets	104	90	91
Total non-current assets	**7,610**	**6,999**	**7,076**
Inventories	963	873	798
Other current assets	866	768	933
Derivative financial instruments	–	2	–
Cash and cash equivalents	157	139	167
Total current assets	**1,986**	**1,782**	**1,898**
Assets held for sale	16	15	15
TOTAL ASSETS	**9,612**	**8,796**	**8,989**
Equity	**3,820**	**3,444**	**3,747**
Borrowings	3,103	2,390	3,096
Deferred tax liability	413	404	397
Derivative financial instruments	53	19	21
Other non-current liabilities[1]	166	11	2
Provisions for pensions and other long-term employee benefits	404	388	360
Provisions[1]	17	10	7
Total non-current liabilities	**4,156**	**3,222**	**3,883**
Borrowings	425	903	212
Derivative financial instruments	9	10	2
Other current liabilities	1,188	1,190	1,066
Provisions	14	27	79
Total current liabilities	**1,636**	**2,130**	**1,359**
TOTAL EQUITY AND LIABILITIES	**9,612**	**8,796**	**8,989**

1 The comparative figures have been adjusted for the contingent earn-out consideration.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Jan–Jun 2014	Jan–Jun 2013	Full year 2013
Equity at beginning of period	**3,747**	**3,326**	**3,326**
Profit/loss for the period	–3	–8	264
Other comprehensive income	99	145	173
Total comprehensive income	**96**	**137**	**437**
Transactions with owners			
Forward contract to repurchase own shares	–26	–19	–19
Share-based payments	3	0	3
Total transactions with owners	**–23**	**–19**	**–16**
Equity at end of period	**3,820**	**3,444**	**3,747**

CONSOLIDATED CASH FLOW STATEMENT

	Second quarter		6 months		
SEKm	Apr–Jun 2014	Apr–Jun 2013	Jan–Jun 2014	Jan–Jun 2013	Full year 2013
Cash flow from operating activities before changes in working capital	74	24	73	44	408
Cash flow from changes in working capital	–30	–47	62	–83	–277
Cash flow from operating activities	**44**	**–23**	**135**	**–39**	**131**
Cash flows from investments in property, plant and equipment and intangible assets	–44	–54	–80	–108	–211
Other cash flow from investing activities	–71	–25	–178	6	9
Cash flow from investing activities	**–115**	**–79**	**–258**	**–102**	**–202**
Cash flow from operating and investing activities	**–71**	**–102**	**–123**	**–141**	**–71**
Cash flow from financing activities	**95**	**–96**	**141**	**–37**	**–65**
Cash flow for the period	**24**	**–198**	**18**	**–178**	**–136**
Cash and cash equivalents at beginning of period	156	326	167	306	306
Cash flow for the period	24	–198	18	–178	–136
Foreign exchange difference	–23	11	–28	11	–3
Cash and cash equivalents at end of period	**157**	**139**	**157**	**139**	**167**

KEY FIGURES

	Second quarter		6 months		
SEKm	Apr–Jun 2014	Apr–Jun 2013	Jan–Jun 2014	Jan–Jun 2013	Full year 2013
Profit					
Net sales	1,238	1,131	2,431	2,258	4,893
Net sales, growth, %	9.5	–6.8	7.7	–1.7	0.7
Organic net sales, growth, %	2.2	–4.1	1.4	–3.7	–1.0
Gross margin, %	37.8	38.4	36.7	38.0	37.0
Underlying EBITDA	155	148	278	287	766
Underlying EBITDA margin, %	13.3	13.1	12.0	12.5	15.6
Depreciation	–48	–43	–95	–86	–175
Amortisation	–0	–1	–1	–1	–2
Underlying EBIT	110	109	187	200	591
Underlying EBIT margin, %	9.4	9.6	8.1	8.7	12.0
Restructuring	–24	–51	–45	–84	–167
Operating profit (EBIT)	85	54	137	112	418
Operating profit margin (EBIT margin), %	6.9	4.7	5.6	4.9	8.5
Profit margin, %	1.5	–6.1	0.9	–0.8	4.3
Financial position					
Working capital	748	556	748	556	763
Capital expenditure	–44	–54	–80	–108	–211
Net debt	3,493	3,244	3,493	3,244	3,230
Capital employed	7,830	7,155	7,830	7,155	7,438
Return on capital employed, % (Rolling 12 months)	6.0	4.4	6.0	4.4	6.1
Equity/assets ratio, %	39.7	39.2	39.7	39.2	41.7
Net debt/equity ratio, %	91.4	94.2	91.4	94.2	86.2
Return on equity, % (Rolling 12 months)	7.0	4.5	7.0	4.5	7.0
Equity per share, SEK	13.2	11.9	13.2	11.9	13.0
Net debt/underlying EBITDA, x (Rolling 12 months)	4.6	4.6	4.6	4.6	4.2
Cash flow					
Cash flow from operating activities	44	–23	135	–39	131
Investments in non-current assets	–115	–79	–258	–102	–202
Cash flow after investments	–71	–102	–123	–141	–71
Cash conversion, %	71.6	62.5	71.2	61.6	72.5
Cash flow from operating activities per share, SEK	0.2	–0.1	0.5	–0.1	0.5
Employees					
Average number of employees	2,452	2,409	2,493	2,408	2,472

QUARTERLY DATA

SEKm	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
PROFIT AND LOSS ACCOUNT									
Net sales	1,238	1,193	1,441	1,194	1,131	1,127	1,404	1,159	1,212
Cost of goods sold	–770	–769	–939	–741	–696	–705	–930	–730	–799
Gross profit	**468**	**424**	**502**	**453**	**435**	**422**	**474**	**429**	**413**
Other income	1	0	0	2	3	7	9	4	0
Selling expenses	–257	–203	–219	–197	–228	–206	–211	–185	–270
General and administrative expenses	–127	–169	–108	–127	–156	–165	–190	–158	–196
Operating profit/loss	**85**	**52**	**175**	**131**	**54**	**58**	**82**	**90**	**–53**
Exchange gains/losses on borrowings and cash and cash equivalents in foreign currencies	–3	–1	–5	34	–78	37	39	–14	–9
Other financial income	2	1	2	2	11	9	2	0	1
Other financial expenses	–65	–50	–45	–66	–54	–55	–51	–46	–69
Net financial items	**–66**	**–50**	**–48**	**–30**	**–121**	**–9**	**–10**	**–60**	**–77**
Profit/loss before tax	**19**	**2**	**127**	**101**	**–67**	**49**	**72**	**30**	**–130**
Income tax expense	–10	–14	59	–15	23	–13	83	–17	8
Profit/loss for the period	**9**	**–12**	**186**	**86**	**–44**	**36**	**155**	**13**	**–122**
Profit/loss for the period attributable to:									
Owners of the Parent Company	9	–12	186	86	–44	36	155	13	–122
KEY FIGURES									
Underlying EBIT	110	77	231	160	109	91	201	124	51
Underlying EBITDA	155	123	274	205	148	139	244	168	93
Return on equity, % (Rolling 12 months)	7.0	5.7	7.0	6.7	4.6	2.5	–2.2	–3.2	–3.9
Equity per share, SEK	13.2	13.0	13.0	12.0	11.9	11.4	11.5	11.2	11.5
Net debt/underlying EBITDA, x (Rolling 12 months)	4.6	4.4	4.2	4.4	4.6	4.7	5.1	5.3	5.2
Cash flow from operating activities per share, SEK	0.2	0.3	0.4	0.2	–0.1	–0.1	0.5	0.3	0.5

Parent Company

SUMMARY PARENT COMPANY PROFIT AND LOSS ACCOUNTS

SEKm	Second quarter Apr–Jun 2014	Second quarter Apr–Jun 2013	6 months Jan–Jun 2014	6 months Jan–Jun 2013	Full year 2013
Net sales	19	20	43	31	86
Gross profit	**19**	**20**	**43**	**31**	**86**
Other income	–	4	0	10	12
General and administrative expenses	–29	–30	–58	–61	–124
Operating profit/loss	**–10**	**–6**	**–15**	**–20**	**–26**
Net financial items	–18	–14	–25	–22	29
Profit/loss before tax	**–28**	**–20**	**–40**	**–42**	**3**
Income tax expense	4	5	7	10	–1
Profit/loss for the period	**–24**	**–15**	**–33**	**–32**	**2**

SUMMARY PARENT COMPANY BALANCE SHEET

SEKm	30 Jun 2014	30 Jun 2013	31 Dec 2013
ASSETS			
Non-current assets	**5,175**	**4,625**	**5,157**
Current assets	**45**	**105**	**89**
TOTAL ASSETS	**5,220**	**4,730**	**5,246**
EQUITY AND LIABILITIES			
Equity	**4,191**	**4,184**	**4,221**
Non-current liabilities			
Borrowings	988	233	988
Provisions	1	–	1
Total non-current liabilities	**989**	**233**	**989**
Current liabilities			
Borrowings	–	216	–
Current liabilities	40	97	36
Total current liabilities	**40**	**313**	**36**
TOTAL EQUITY AND LIABILITIES	**5,220**	**4,730**	**5,246**
Pledged assets	4,623	4,623	4,623
Contingent liabilities	3,329	3,085	3,078

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Equity at beginning of period	**4,221**	**4,216**	**4,216**
Profit/loss for the period	–33	–32	2
Total comprehensive income	**4,188**	**4,184**	**4,218**
Share-based long-term incentive plan	3	–	3
Total transactions with owners	**3**	**–**	**3**
Equity at end of period	**4,191**	**4,184**	**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 30 June 2014. Net sales in the Parent Company reached SEK 43m (31) and referred mainly to intra-group services. Operating profit was SEK –15m (–20). Net financial items totalled SEK –25m (–22). Profit before tax was SEK –40m (–42) and profit after tax was SEK –33m (–32). Cash and cash equivalents and short-term investments amounted to SEK 0m (0).

The Cloetta share

Cloetta's class B share is listed on NASDAQ OMX Stockholm, Mid Cap. During the period from 1 January to 30 June 2014, a total of 89,154,935 shares were traded for a combined value of SEK 1,975m, equal to around 32 per cent of the total number of class B shares at the end of the period. The highest quoted bid price during the period from 1 January to 30 June 2014 was SEK 24.50 (1 April) and the lowest was SEK 19.40 (2 January). The share price on 30 June 2014 was SEK 22.80 (last price paid). During the period from 1 January to 30 June 2014, Cloetta's share increased by 18 per cent while the NASDAQ OMX Stockholm PI index increased by 6 per cent.

Cloetta's share capital at 30 June 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 30 June 2014 Cloetta AB had 7,616 shareholders (6,773 at 31 March 2014). 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 10.1 per cent of the votes and 13.2 per cent of the share capital. The third largest shareholder was Lannebo Fonder with a holding corresponding to 5.7 per cent of the votes and 7.5 per cent of the share capital in the company.

Institutional investors held 92.1 per cent of the votes and 89.7 per cent of the share capital. Foreign shareholders held 17.8 per cent of the votes and 23.3 per cent of the share capital.

Related party transactions

AB Malfors Promotor is considered to be a related party. 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 June 2014 amounted to SEK 43m (31), equal to 100 per cent of each period's total sales. At 30 June 2014 the Parent Company's receivables from subsidiaries amounted to SEK 584m (88) and liabilities to subsidiaries amounted to SEK 11m (79). Transactions with related parties are priced on market-based terms. Total costs related to Long Term Incentive Program (LTI) 2013 and LTI 2014 that were recognised in the first half of 2014 amount to SEK 4.0m, of which SEK 1.2m is related to group management.

Taxes

In the first half of 2014 non-deductible interest and expenses and adjustment of filing position for the tax of prior periods that were recognised in the period had a negative effect on the tax expenses. Cloetta's deferred tax balance 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 SecuritiesMarket 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 already been 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., Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent liability coming from the option-agreement for Aran Candy Ltd. 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 were measured at fair value at 30 June 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	–	–	16	16
Total assets	**–**	**–**	**16**	**16**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	17	–	17
- Contingent earn-out consideration	–	–	166	166
Total liabilities	**–**	**17**	**166**	**183**

The following table presents the Group's assets and liabilities that were 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 were measured at fair value at 30 June 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	–	5	–	5
Total assets	**–**	**5**	**–**	**5**
Liabilities				
Liabilities at fair value through profit or loss				
- Interest rate swaps	–	10	–	10
- Contingent earn-out consideration	–	–	11	11
Total liabilities	**–**	**10**	**11**	**21**

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

SEKm	Jan–Jun 2014	Jan–Jun 2013	Full Year 2013
Opening balance	2	–	–
Business combinations	158	11	11
Remeasurements recognised in profit and loss	6	–	–9
Closing balance	**166**	**11**	**2**

The non-current assets measured at fair value at 30 June 2014 consisted of the land and building in Zola Predosa, Italy. During the quarter the property in Gävle, Sweden, was sold. The loss of SEK 1m on the sale has been recognised in the profit and loss account under cost of goods sold.

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 the 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 and in Q2 the contingent liability related to the acquisition of Aran Candy Ltd. that is included in the preliminary purchase price allocation resulted in an increase in 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 of 2014. The changes in these standards have not had a material impact on recognition or measurement, or the financial reporting disclosure requirements.

ACQUISITION OF ARAN CANDY LTD.

On 28 May 2014, Cloetta acquired control of Aran Candy Ltd. by acquiring 100 per cent of the total outstanding ordinary shares and 0 per cent of the total outstanding class A shares, equalling in aggregate 75 per cent of the outstanding shares. This transaction provides Cloetta with 100 per cent of the voting rights in Aran Candy Ltd. although less than 100 per cent of all outstanding shares were acquired.

SEKm	
Consideration paid	
Cash paid	159
Contingent consideration	48
Consideration transferred	**207**
Recognised amounts of identifiable assets and liabilities assumed:	
Non-current assets	**110**
Intangible assets (excl. goodwill)	91
Property, plant and equipment	19
Other non-current assets	0
Current assets	**64**
Inventories	27
Trade and other receivables	14
Cash and cash equivalents	23
Non-current liabilities	**–16**
Other non-current liabilities	–12
Provisions	–4
Current liabilities	**–16**
Borrowings	0
Other current liabilities	–16
Total identifiable net assets	**142**
Goodwill	65
Consideration transferred	**207**

As part of the transaction Cloetta entered into a put/call construction on the A shares in which the exercise price for the put option is the same as for the call option. As a result, the construction is treated as a forward sale of the A shares. The primary motive for the acquisition is to broaden the Cloetta product portfolio as part of its 'Munchy Moments' strategy.

The total consideration amounts to SEK 159m in cash and the fair value of the contingent consideration (deferred payment) is SEK 48m. The contingent consideration is based on the adjusted results for the financial year 2015 (level 3 fair value). The goodwill of SEK 65m relates primarily to the potential of new distribution channels, the workforce, the creation of diversity in Cloetta's branded portfolio and new market/sales opportunities in Cloetta's markets. The contingent liabilities recognised as part of the purchase price allocation amount to SEK 2m. The selling shareholders of Aran Candy Ltd. have contractually agreed to indemnify the Cloetta for certain liabilities under the terms and conditions of the sale and purchase agreement for an amount of SEK 0.5m. The total transaction cost related to the acquisition amounted to SEK 8m and is fully recognised in the income statement for the period concerned as 'General and administration expenses'.

Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows that are not expected to be collected are immaterial. If Aran Candy Ltd. had been consolidated as of 1 January 2014, it would have (pro forma) contributed SEK 49m to consolidated revenues and (pro forma) SEK 7m EBIT excluding the impact of accounting for business combinations and SEK 5m EBIT including the impact of accounting for business combinations. Because Aran Candy Ltd. was acquired on 28 May 2014, the accounting for the business combination is preliminary and has not yet been finalised. The goodwill acquired is allocated to the Middle-Europe cash generating unit.

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	**79**
Inventories	46
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	**159**
Goodwill	61
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 61m 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.

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 acquisitions of Nutisal and The Jelly Bean Factory 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 and its 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

	30 Jun 2014	30 Jun 2013	31 Dec 2013
EUR, average	8.9767	8.5286	8.6513
EUR, end of period	9.1790	8.7700	8.8630
NOK, average	1.0826	1.1335	1.1071
NOK, end of period	1.0910	1.1161	1.0592
GBP, average	10.9389	10.0385	10.1987
GBP, end of period	11.4623	10.2453	10.6501
DKK, average	1.2030	1.1438	1.1601
DKK, end of period	1.2313	1.1759	1.1882

FINANCIAL CALENDAR

2014	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 08:00 a.m. CET on 18 July 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 11 production units in six countries. Cloetta's class B shares are traded on NASDAQ OMX Stockholm.

VISION

To be the most admired satisfier of Munchy Moments

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

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.

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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