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Ljungsbro, December 16, 2011

## Cloetta and LEAF to merge

### New Cloetta becomes a Nordic confectionery leader

The Swedish confectionery companies Cloetta (ticker: CLA B) and LEAF today announced a merger of the two companies (the "Transaction"). The combined company will take the well established name of Cloetta and become a leading Swedish confectionery company with a strong base in the Nordic region as well as in Italy and the Netherlands. The new Cloetta will manage a portfolio of iconic brands and have pro forma net sales of SEK 5.7 billion and recurring EBITA of SEK 666 million<sup>1</sup>.

#### Highlights of the merger include the following:

- Strong portfolio of iconic, local, long-established brands including Kexchoklad, Läkerol, Polly, Ahlgrens bilar, Plopp, Malaco and Cloetta in Scandinavia, Jenkki in Finland, Sperlari and Sailsa in Italy and Red Band and Sportlife in the Netherlands.
- Highly complementary combination of two strong companies, creating a full range of confectionery products by combining Cloetta's strength in the chocolate segment with LEAF's leading operations within the sugar confectionery segments.
- Significant value creation potential through strengthened strategic position and improved earnings potential. The merger is expected to be accretive to earnings per share for the shareholders of Cloetta.
- AB Malfors Promotor ("Malfors Promotor"), Cloetta's largest shareholder, to invest SEK 545 million in the Transaction, showing its strong commitment to the new Cloetta.
- The remainder of the rights issue connected to the Transaction will be fully underwritten by Malfors Promotor, CVC and Nordic Capital<sup>2</sup> without the charging of customary underwriting commission.
- Significant synergy potential in excess of SEK 65 million annually to be achieved within two years of closing of the Transaction. In addition, LEAF is currently in the process of finalizing a supply chain restructuring program expected to yield another SEK 45 million in annual cost savings as of Q1, 2012.
- Leading position in an attractive industry with stable earnings growth and strong cash flows.

**Press conference - Today at 10.00 AM CET, at Summit Grev Turegatan 30 in Stockholm.**

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<sup>1</sup> Pro forma for the twelve months ended August 31, 2011 excluding non-recurring items.

<sup>2</sup> Funds advised by CVC Capital Partners ("CVC") and Nordic Capital Fund V Limited ("Nordic Capital")

It is the intention that Bengt Baron will be CEO and that Lennart Bylock will be Chairman of the Board of Directors<sup>3</sup> of new Cloetta. Bengt Baron is currently CEO of LEAF and has extensive experience in developing consumer brands. Lennart Bylock has a long track record of leadership in executive and board roles. Both Bengt Baron and Lennart Bylock were previously members of Cloetta Fazer's Board of Directors.

*"Cloetta was founded nearly 150 years ago and has since then been deeply rooted in both our business values and local society. Our family, through Malfors Promotor, always has and always will act as a long-term owner in Cloetta. The proposed merger with LEAF should be seen from that perspective. Together with LEAF, we now place ourselves in a bigger context and can together build an even stronger company,"* said Olof Svenfelt, Chairman of the Board of Directors of Cloetta.

*"This merger is a perfect match where we will unite iconic, local brands, from complementary categories with very few overlaps. The new Cloetta will offer a full range of strong brands, and a very strong route to market in the Nordic countries as well as in Italy and in the Netherlands. In an industry where the brand is nearly as important as the taste of the product, this transaction makes both industrial and strategic sense,"* said Bengt Baron, CEO of LEAF.

*"We are delighted to see Cloetta and LEAF come together through this merger – the industrial logic is so compelling and we are proud to have contributed to the creation of a very strong and attractive brands company with exciting prospects"* said Hans Eckerström, Partner, Nordic Capital and Peter Törnquist, Partner, CVC

LEAF is currently owned by CVC and Nordic Capital and has been since 2005. Since the acquisition by CVC and Nordic Capital, LEAF has focused on developing and building brands and improving efficiency. Non-core businesses have also been divested.

**The Transaction, valuing LEAF at SEK 6.8 billion on a cash and debt-free basis, will be financed through a fully underwritten rights issue, an issue in kind to LEAF's shareholders and bank financing. Upon completion of the transaction, Cloetta shareholders will hold 42.4 per cent<sup>4</sup> and LEAF shareholders 57.6 per cent of Cloetta's enlarged issued share capital. The Board of Directors of Cloetta believes that the Transaction offers significant value creation potential for Cloetta's shareholders and the merger is expected to be accretive to earnings per share. Shareholders representing 64 per cent of the share capital and 81 per cent of the votes in Cloetta have stated their support for the Transaction. Malfors Promotor, with a shareholding representing approximately 52 per cent of the share capital and 74 per cent of the votes in Cloetta, has undertaken to subscribe for its pro rata share in the rights issue and will underwrite the remaining part of the rights issue together with CVC and Nordic Capital (indirectly through LEAF Holding S.A.)<sup>5</sup>. The underwriting commitment by Malfors Promotor, CVC and Nordic Capital is done without the charging of customary underwriting commission.**

**As a consequence of the Transaction, the Board of Directors of Cloetta has decided to withdraw its proposal to the annual general meeting to pay out a dividend in cash of SEK 0.75 per share plus a bonus dividend of SEK 0.50 per share for the year 2010/2011.**

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<sup>3</sup> Lennart Bylock will resign from Cloetta's Nomination Committee effective from Cloetta's annual general meeting on December 19, 2011.

<sup>4</sup> Assuming that the rights issue is fully subscribed for and that the underwriting commitments do not need to be utilized.

<sup>5</sup> Subject to customary terms and conditions.

The Transaction is conditional upon approval by the shareholders of Cloetta at an extraordinary general meeting (the "EGM") and approval by the relevant competition authorities. The EGM is expected to be held on or around February 15, 2012 in order for the shareholders of Cloetta to approve the Transaction, to resolve on the issue in kind and to authorize the Board of Directors of Cloetta to resolve on the rights issue.

## Transaction summary

### *Merger of Cloetta and LEAF*

- Cloetta, on the one hand, and the owners of LEAF, CVC and Nordic Capital, on the other (acting through LEAF Holding S.A.), have today entered into a sale and purchase agreement to create a confectionery leader in the Nordic region.
- The Transaction will be effected through a cash payment of SEK 1,500 million and the issue of C-shares (convertible into B-shares following the record date for the Rights Issue) equivalent to 57.6 per cent of the enlarged issued share capital of Cloetta including the Rights Issue to the owners of LEAF (the "Issue in Kind")<sup>6</sup>. The new Cloetta will also assume LEAF's existing net interest-bearing debt, which amounted to SEK 2,888 million as of August 31, 2011.
- The Transaction values LEAF at SEK 6.8 billion on a cash and debt free (enterprise value) basis implying an EV/EBITDA multiple of 9.0x for the twelve months ended August 31, 2011 ("2010/2011")<sup>7</sup>. The corresponding EV/EBITDA multiple, pro forma for the synergies arising from the Transaction and the additional cost savings from LEAF's supply chain restructuring program of in total SEK 110 million, is 7.8x.
- Closing of the Transaction is subject to clearance from the relevant competition authorities and shareholder approval at the EGM in Cloetta, to be held on or around February 15, 2012.
- As part of the Transaction, Malfors Promotor has agreed to convert part of its holding of A-shares to B-shares so that its share of the total votes in Cloetta, following the Transaction, will correspond to 39.9 per cent.

### *Financing of the Transaction*

- The Transaction will be financed through a rights issue of approximately SEK 1,050 million with preferential rights for existing holders of A-shares and B-shares (the "Rights Issue"), fully underwritten by Malfors Promotor, CVC and Nordic Capital (indirectly through LEAF Holding S.A.) and through a five year credit facility of SEK 4.2 billion provided by Svenska Handelsbanken AB (publ). The credit facility will be used for the refinancing of existing interest bearing debt in LEAF, for the partial financing of the cash consideration in the Transaction as well as for general corporate purposes of the combined company.
- As a consequence of the Transaction, the Board of Directors of Cloetta has decided to withdraw its proposal to the annual general meeting to pay out a dividend in cash of SEK 0.75 per share plus a bonus dividend of SEK 0.50 per share for the year 2010/2011.

<sup>6</sup> The number of C-shares to be issued is dependent on the final terms of the rights issue.

<sup>7</sup> Cloetta shares valued at SEK 30.20, the closing share price on NASDAQ OMX Stockholm as of December 15, 2011. EV/EBITDA multiple is based on recurring EBITDA of SEK 760 million.

## **Ownership structure**

- Upon completion of the Transaction and the ensuing Issue in Kind and Rights Issue, Malfors Promotor will hold 22.0 per cent of the share capital and 39.9 per cent of the votes in Cloetta, CVC will hold 33.0 per cent of the share capital and 25.4 per cent of the votes, Nordic Capital will hold 24.6 per cent of the share capital and 18.9 per cent of the votes and the minority shareholders in Cloetta will hold 20.4 per cent of the share capital and 15.7 per cent of the votes<sup>8</sup>. CVC's and Nordic Capital's shares will be held by newly established holding companies.

## **Shareholder support**

- Shareholders representing 64 per cent of the share capital and 81 per cent of the votes in Cloetta, including the company's largest shareholder Malfors Promotor, have stated their support for the Transaction.

## **Exemption from mandatory bid**

- The Securities Council (Sw. *Aktiemarknadsnämnden*) has granted Malfors Promotor and the shareholders of LEAF an exemption from the obligation to make a mandatory bid pursuant to the Swedish Public Takeover Act (Sw. *Lagen om offentliga uppköpserbjudanden*).<sup>9</sup>

## **Indicative timetable etc.**

- The following table sets out indicative key dates for the Transaction, subject to customary competition clearance:

January 16	Notice to the EGM in Cloetta
January 24	Information material to the EGM including complete terms and conditions of the Issue in Kind and the Rights Issue available
February 15	EGM in Cloetta
February 16	Expected closing of the Transaction; Issue in Kind of C-shares to LEAF shareholders executed
February	The Board of Directors resolves on the Rights Issue, making use of the EGM's authorization
March	Subscription period for new shares in the Rights Issue

- To ensure full alignment between shareholders and the management team of new Cloetta, Malfors Promotor, CVC and Nordic Capital have agreed to use part of their shares to implement a management incentive program in the form of call options to enable the recruitment, motivation and retention of qualified managers. By using shares from the three main shareholders, no costs for the incentive programme will be incurred by the minority shareholders.

<sup>8</sup> Assuming that the Rights Issue is fully subscribed for and that the underwriting commitments do not need to be utilized and that Malfors Promotor converts part of its holding of A-shares to B-shares.

<sup>9</sup> AMN 2011:33

## Important notice

This press release is not an offer for subscription for shares in Cloetta. A prospectus relating to the Rights Issue referred to in this press release and the subsequent listing of new shares at NASDAQ OMX Stockholm will be prepared and filed with the Swedish Financial Supervisory Authority. After approval and registration of the prospectus by the Swedish Financial Supervisory Authority, the prospectus will be published and made available on, inter alia, Cloetta's website, subject to certain customary limitations arising from securities laws and regulations.

The distribution of this press release in certain jurisdictions may be restricted by law and persons into whose possession it or any part of it comes should inform themselves about and observe any such restrictions. The information in this press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of any securities of the company in any jurisdiction.

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## European Economic Area

Cloetta has not authorized any offer to the public of shares or rights, as applicable, in any Member State of the European Economic Area other than Sweden. With respect to each Member State of the European Economic Area other than Sweden and which has implemented the Prospectus Directive (each, a "Relevant Member State"), no action has been undertaken to date to make an offer to the public of shares or rights requiring a publication of a prospectus in any Relevant Member State. As a result, the shares or rights, as applicable, may only be offered in Relevant Member States:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity meeting two or more of the following criteria: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43 million and (3) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances, not requiring the company to publish a prospectus as provided under Article 3(2) of the Prospectus Directive.

For the purposes hereof, the expression an “offer to the public of shares or rights, as applicable” in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares or rights, as applicable, to be offered so as to enable an investor to decide to purchase any securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## United Kingdom

This communication is directed only at (i) persons who are outside the United Kingdom and (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) and (iii) to high net worth entities falling within Article 49(2) (a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any investment activity to which this communication relates will only be available to and will only be engaged with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

## Forward-Looking Statements

This press release contains forward-looking statements that reflect management’s current views with respect to certain future events and potential financial performance. Although Cloetta believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors. You are advised to read this announcement and, once available the prospectus and the information incorporated by reference therein, in their entirety for a further discussion of the factors that could affect the Cloetta’s future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.