

Sperlari Ahlgrens bilar Xylifresh Chewits Jenkki Venco
Dietorelle Saila Goody Good Stuff Juleskum Sportlife
Kexchoklad Läkerol Galatine Diator Plopp King Bridge
Polly Center Malaco Sportlunch The Jelly Bean Factory Sisu
Läkerol Dents Tupla Mynthon Nutisal Sperlari Ahlgrens bilar

Cloutta

Sportlunch The Jelly Bean Factory Sisu Läkerol Dents
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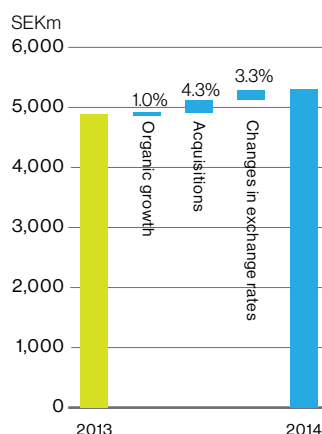
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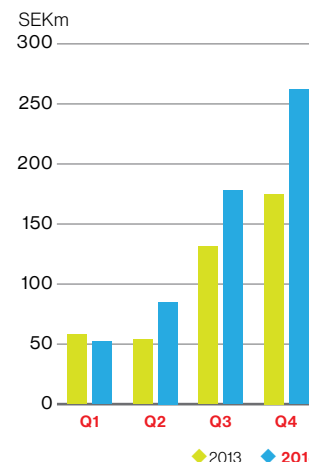
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◆ **Words from the CEO** We have taken another step on our journey towards our long-term goals. Total sales grew by 8.6 per cent and operating profit (EBIT) improved markedly to SEK 577m (418).

Net sales



Operating profit



◆ **Sustainability** In 2014 Cloetta changed over to sustainable cocoa from UTZ-certified farmers and adopted a new palm oil policy. [Page 45](#) Cloetta reports in accordance with the Global Reporting Initiatives (GRI) guidelines according to G4 – Core. [Page 144](#) provides a summarised table that shows where in our annual report the various GRI indicators can be found.



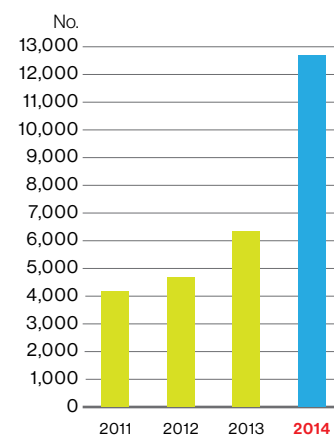
◆ **Corporate governance** The 2015 AGM will be held on Thursday, 23 April 2015, at 4.00 p.m. at 7A Odenplan, Odengatan 65 in Stockholm.

At the AGM in April 2014, Caroline Sundewall was elected as the new Board Chairman and Ann Carlsson as a new Board member. [Page 80](#)



Number of shareholders

◆ **Cloetta share** During the year the number of shareholders in Cloetta doubled from just over 6,300 to nearly 12,700. Not only have several well known Swedish and foreign institutions acquired shares, Cloetta also gained several thousand new private investors as shareholders. [Page 59](#)



Highlights of 2014

Q1

- ◆ The acquisition of Nutisal was completed.
- ◆ Cloetta began sourcing sustainable cocoa from UTZ-certified cocoa farmers.



Q2

- ◆ Cloetta acquired The Jelly Bean Factory.
- ◆ The chocolate brand Cloetta was launched in Finland.
- ◆ Cloetta implemented a new palm oil policy.



Q3

- ◆ Cloetta signed a letter of intent with Coop Sverige AB to provide them with a whole new pick-and-mix concept starting in 2015.



Q4

- ◆ Cloetta was named Listed Company of the Year after having won Best IR Website and Best Annual Report.



Examples of new launches during the year



Denmark
Skipper's Pipes Seasalt
Läkerol Raspberry Lemon



Italy
Galatine Soft



Finland
Cloetta chocolate
Jenkki Lemon-Lime



Sweden and the Netherlands
Goody Good Stuff



The Netherlands
Venco
Red Band



Sweden
AKO toffee relaunch
Polly Goes Bananas



Norway and Sweden
Viva Lakrits
Powerbreak

SEKm	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
Net sales	5,313	1,579	1,303	1,238	1,193	4,893	1,441	1,194	1,131	1,127
Operating profit (EBIT)	577	262	178	85	52	418	175	131	54	58
Operating profit margin (EBIT margin), %	10.9	16.6	13.7	6.9	4.4	8.5	12.1	11.0	4.8	5.1
Underlying EBIT ¹	609	244	178	110	77	591	231	160	109	91
Underlying EBIT margin, % ¹	12.3	16.8	14.9	9.4	6.7	12.0	16.1	13.3	9.6	8.1
Profit/loss before tax	338	191	126	19	2	210	127	101	-67	49
Profit/loss for the period	242	158	87	9	-12	264	186	86	-44	36
Earnings per share, basic and diluted, SEK	0.84	0.55	0.30	0.03	-0.04	0.92	0.65	0.30	-0.15	0.12
Net debt/EBITDA, x (Rolling 12 months)	3.97	3.97	4.30	4.55	4.47	4.19	4.19	4.40	4.68	4.59
Cash flow from operating activities	500	290	75	44	91	131	116	54	-23	-16

¹ Based on constant exchange rates and the current Group structure, excluding acquisitions and items affecting comparability related to restructurings. For definitions, see page 148.



“During the year, we also broadened and improved our Munchy Moments offering through the acquisitions of Nutisal and The Jelly Bean Factory, as well as the launch of our new pick-and-mix concept in Sweden.”

Bengt Baron, President and CEO

Cloetta continues to focus on profitable growth

In 2014, Cloetta increased both sales and operating profit while at the same time generating a very strong cash flow.

As I sum up 2014, I note that we have taken another step on the journey towards our long-term goals. The operating margin increased from 8.5 per cent to 10.9 per cent, and the underlying EBIT margin grew to 12.3 per cent, to be compared to our long-term margin goal of 14 per cent. Operating profit (EBIT) improved markedly to SEK 577m (418), mainly due to improved efficiency and lower restructuring costs.

Organic sales grew by 1.0 per cent, despite a continued challenging market situation in Italy and decreased contract manufacturing. Total sales grew by 8.6 per cent, of which acquisitions represented 4.3 per cent and currency variations 3.3 per cent.

Very strong cash flow and decreased net debt/EBITDA ratio

Cash flow from operating activities over the year was very strong and amounted to SEK 500m (131), including restructuring costs. This demonstrates the strength of Cloetta's cash flow-generating ability. Simultaneously, net debt decreased to slightly below 4.0x underlying EBITDA, despite two acquisitions; yet another step towards the long-term goal of 2.5x. It is our intention that future cash flows will continue to be used for amortising loans, but also to create the financial flexibility for additional acquisitions and dividends.

Acquisitions and new concepts strengthen our offerings within Munchy Moments

Cloetta's vision, "To be the most admired satisfier of Munchy Moments", and mission, "To bring a smile to your Munchy Moments", provide a clear sense of direction for Cloetta. During the year, we also broadened and further improved our Munchy Moments offering with the acquisitions of Nutisal and The Jelly Bean Factory and the launch of our new pick-and-mix concept in Sweden.

With the addition of Nutisal's dry-roasted nuts concept, we can offer our consumers a recognised brand on a growing nut market. The acquisition of The Jelly Bean Factory will contribute to Cloetta's profitable growth by broadening the offering with a unique premium product in the sugar confectionary category. These acquisitions are excellent examples of how Cloetta can diversify its offering and drive increased profitable growth.

During the year, Cloetta also signed an agreement with Coop, a major retailer in Sweden, to operate their full pick-and-mix concept under the name Candy Favourites (Swe. Godisfavoriter). In addition, we are also supplying their pick-and-mix concept of natural snacks. Cloetta is responsible for the product range, racks and merchandising in all Coop stores. In the new concept, we will utilise our wide range of products from several markets complemented with external classic products. For Coop, this means that they gain a unique new concept in the Swedish market. For Cloetta, this means we get further improved capacity utilisation in our factories and generate incremental sales. Thus, this is a win-win situation and yet another excellent example of how we can both broaden our presence within Munchy Moments while at the same time contributing to profitable growth.

Restructuring programme completed

The restructuring programme which was initiated in 2012 was completed in 2014. It included, among other things, the closing and moving of three factories, as well as in-sourcing of various production. The programme was concluded according to the plan communicated three years ago,

both when it comes to costs and time. I am extremely proud of the way that everyone involved has been able to implement this comprehensive restructuring programme.

Developed sustainability work

For Cloetta, it is important to build long-term sustainable values. This means growing as a company and at the same time making sure that both the people and the environment that are affected by Cloetta's products are influenced in a positive way. During the year, we have defined our sustainability commitment to clarify which sustainability issues will be prioritised by Cloetta. For all the prioritised areas, there is an action plan, as well as targets and key indicators.

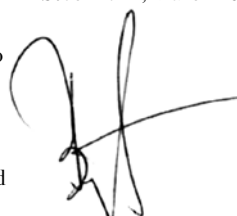
It is satisfying that once again 2014, our efforts to reduce the company's environmental impact showed positive development. With a continued focus on energy use, as well as waste and emissions management, we improved all environmental key indicators compared to previous years. All cocoa and chocolate that we purchase are UTZ certified. This means that we are giving the West African cocoa farmers opportunities to develop sustainable cultivation. In 2014, Cloetta introduced a new policy regarding palm oil, aimed at combating deforestation of the rainforest. All palm oil used indirectly by Cloetta in our products is certified according to the RSPO (Round Table of Sustainable Palm Oil) through a GreenPalm certification. Since it is our ambition to meet the international standards, our sustainability report is therefore in accordance with the guidelines in the Global Reporting Initiative (GRI).

Profitable growth in focus

I am very satisfied that in 2014 Cloetta completed the manufacturing restructuring programme, drove increased sales and profitability, as well as generated a very strong cash flow. In 2015 it is my ambition to drive continued profitable growth, driven by organic sales growth, new initiatives and a continued focus on cost-efficiency.

Many people value our brands and the work we have done to create an even stronger and better Cloetta. Our successes in 2014 are of course the result of all the efforts and contributions of every single Cloetta employee, but also the appreciation shown by customers and consumers. I am also pleased with the support exhibited by the shareholders and it is very satisfying that the number of shareholders more than doubled during 2014. The trust shown in Cloetta by customers, consumers, shareholders and employees makes me feel both proud and optimistic. I promise that we will do our utmost to live up to your expectations!

Stockholm, March 2015



Bengt Baron
President and CEO

This is Cloetta





Founded by the three Cloetta brothers in 1862.

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

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

Net sales of SEK **5,313m**.
Operating profit of SEK **577m**.

2,500 employees in **14** countries.
Production at **11** factories in **6** countries.

Listed on Nasdaq Stockholm.

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

- ◆ sugar confectionery
- ◆ chocolate products
- ◆ pastilles and chewing gum
- ◆ nuts

Vision

To be the most admired satisfier of Munchy Moments



Mission

To bring a smile to your Munchy Moments

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

Long-term financial targets

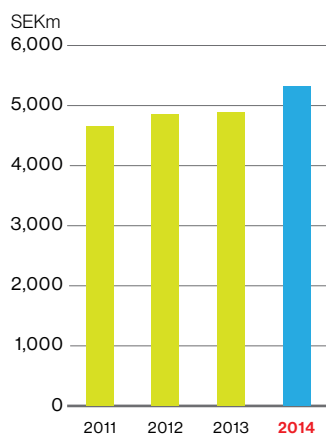
Organic sales growth

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

Comments on the year's outcome

Historically, total annual growth in the markets where Cloetta is active has been around 1–2 per cent. In 2014 Cloetta achieved sales growth of 8.6 per cent, of which organic growth amounted to 1.0 per cent.

Net sales



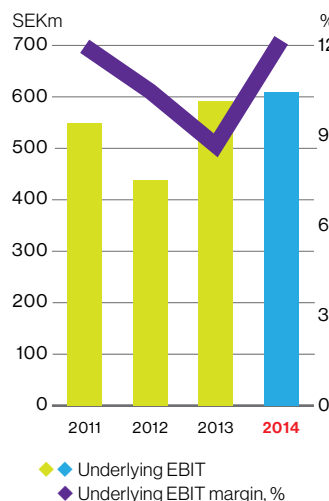
EBIT margin

- ◆ Cloetta's target is an underlying EBIT margin of at least 14 per cent.

Comments on the year's outcome

The underlying EBIT margin improved from 12.0 to 12.3 per cent during 2014. The EBIT margin rose from 8.5 to 10.9 per cent as a result of reduced costs related to the production restructuring.

Underlying EBIT and margin



Net debt

- ◆ Cloetta's long-term target is a net debt/EBITDA ratio of around 2.5x.

Comments on the year's outcome

In the past year Cloetta reduced its net debt/EBITDA ratio from 4.19x to 3.97x, despite acquisitions and certain one-time restructuring costs.

Net debt/EBITDA*



* The definition of net debt/EBITDA is aligned with the definition used in the credit facility agreement. See definition on page 148. The comparative figures have been adjusted.

Dividend policy

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

Comments on the year's outcome: In line with the financial strategy to continue reducing net debt, no dividend is proposed for 2014. In 2013 and 2014, the primary focus was on reinvesting the company's strong cash flow for continued repayment of bank loans, while at the same time allowing for complementary acquisitions.

Strategies and activities

Focus on margin expansion and volume growth



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

Main activities in 2014

- ◆ Several strong, local brands have been expanded into new categories or concepts.
- ◆ Existing products and brands have been launched in additional markets.
- ◆ Several new products have been developed for launch in the coming years.
- ◆ Acquisitions of Nutisal and The Jelly Bean Factory.
- ◆ Price adjustments have been made to accommodate changed raw material costs and changes in exchange rates.

Focus on cost-efficiency



- ◆ Improve internal processes and systems.
- ◆ Improve cost-efficiency through the closure of factories.
- ◆ Implement a programme for continuous improvement ("Lean 2020") in the supply chain.
- ◆ Increase breadth in production technology to create flexibility in product development.

Main activities in 2014

- ◆ A group-wide ERP system has been implemented in most of the Group's countries and units.
- ◆ The production restructuring and insourcing of third-party products have been completed.
- ◆ A systematic improvement programme ("Lean 2020") in the supply chain has been formalised and launched.
- ◆ Through the acquisition of Nutisal, Cloetta has gained a production unit for dry roasting of nuts.

Focus on employee development



- ◆ Develop Cloetta's culture based on the results of the employee survey "Great Place to work".
- ◆ Attract, develop and retain competent employees.
- ◆ Develop teamwork with the help of the leadership tool "Management Drives".

Main activities in 2014

- ◆ Follow-up activities carried out based on the results of the employee survey "Great Place to Work".
- ◆ New framework for the salary and benefits structure.
- ◆ Continued roll-out of the leadership tool "Management Drives".

Value drivers

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

Group-wide sustainability targets

Greater well-being

Employees

- ◆ The number of days between occupational accidents with >1 day of sickness absence will exceed 23.0 days in 2015.
- ◆ Great Place to Work – the Trust Index will exceed 63 per cent in 2016.

Consumers

- ◆ The number of returns in 2015 will not exceed 5.9 ppm (number per sold million).

Environment

Energy consumption

- ◆ Reduce energy consumption in relation to the produced volume (MWh/tonne) by 5 per cent by 2020.

Waste

- ◆ Reduce the volume of waste in relation to the produced volume (kg/tonne) by 25 per cent by 2020.

Carbon dioxide emissions

- ◆ Reduce CO₂ emissions from production in relation to the produced volume (kg/kg) by 5 per cent by 2020.

Sustainable sourcing

Approved suppliers

- ◆ All suppliers to production must be approved from a sustainability perspective.

Responsibility for raw material producers

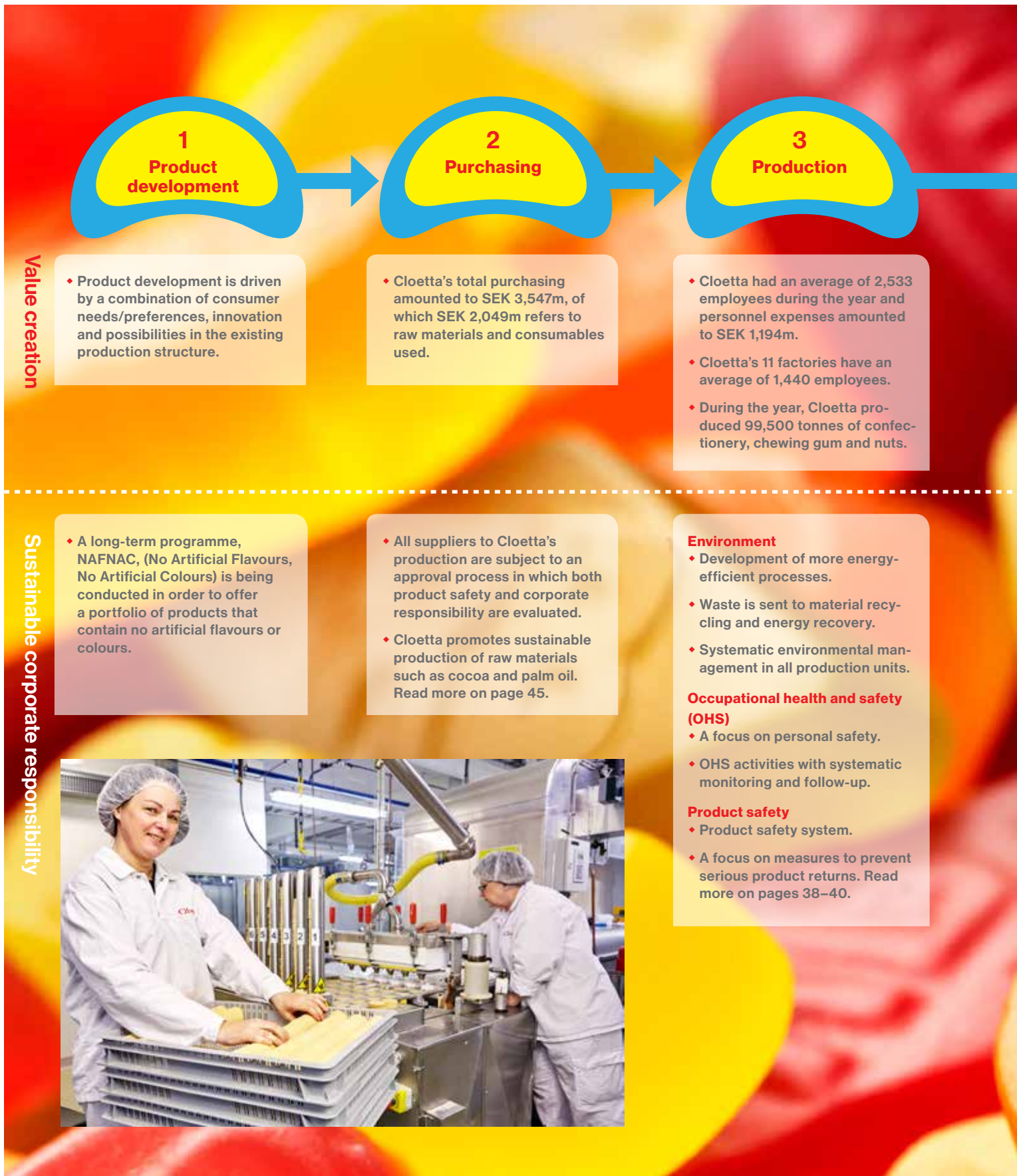
- ◆ Sustainability programmes implemented for prioritised raw materials by 2020.

Cloetta's value chain

Cloetta's strategy for creating value is to »bring a smile to your Munchy Moments«.

Through innovative product development, efficient purchasing and high quality production, as well as good relations with the retail trade and exciting marketing, Cloetta also creates economic value.

At the same time, Cloetta strives to have a positive impact on people and the environment.



Cloetta's Code of Conduct is the basis for all relationships within and outside the company.



Economic impact

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

Economic value generated and distributed (SEK m)	Stakeholders	2014	2013
Revenue	Customers	5,313	4,893
Other operating income	Business partners	5	12
Financial income	Business partners	4	24
Total generated value		5,322	4,929
<i>Distributed as</i>			
Personnel expenses	Employees	-1,194	-1,245
Raw materials and consumables used	Suppliers	-2,049	-1,755
Other operating costs	Suppliers/business partners	-1,498	-1,487
Financial expenses including exchange differences	Business partners	-243	-232
Income tax	Government	-96	54
Profit for the year		242	264

Three strategies for profitable growth

Continuous brand development

Cloetta's brand portfolio is the Group's most valuable asset. Nurturing and developing the Group's strong brands are therefore in constant focus and are the basis for Cloetta's day-to-day work.

Involves

- Wider distribution
- Effective marketing, for instance through social media
- Sales campaigns
- Seasonal products
- Renewal and updating of packaging
- Line extensions

See pages **11–13**

Strategic initiatives

Through various strategic initiatives based on the existing brands and production structure, we can drive additional growth.

Involves

- Development of package sizes and prices
- Brand extensions
- Supplementation of the product range where needed
- Geographic broadening of the market
- Relaunch of brands
- Innovation

See pages **14–15**

New markets/ segments

When good opportunities arise, Cloetta will also widen its territory through the acquisition of brands or expansion into markets that are new to Cloetta.

Involves

- Acquisitions
- New geographical markets

See pages **16–17**

Continuous brand development

Building a brand means continuously vitalising and supporting the brand's personality in order to strengthen consumer loyalty and attract new consumers.

As the confectionery market is one of the most impulse-driven categories in the retail trade, strong brands with high recognition and loyalty are crucial for day-to-day sales. Examples of these include Läkerol, Red Band, Sperlari, Jenkki and Kexchoklad, which are among the most well known product brands in their respective markets.

Strategic brand management

Cloetta's ten largest brands account for around 60 per cent of the Group's sales. Read more about our leading product brands on pages 18–21.

For each brand there is an individual development plan. The primary tools for further development of a brand are line extension, packaging development, sales development and effective marketing. Two vital aspects of marketing are visibility and activity online and in the social media, which are of major importance for brand development.

Line extensions – new flavours

One key success factor in the confectionery market is to regularly launch new and attractive product variants or flavours, so-called line extensions, in segments where there is consumer demand, as well as to develop and modernise the existing products. Continuous product innovations strengthen Cloetta's offering to both customers and consumers.

Over the years, Cloetta has successfully developed its brand portfolio through line extension, for example under the Ahlgrens bilar, Läkerol and Polly brands.

An exciting product innovation or seasonal product is mainly aimed at reminding consumers of the brand. Product news often inspire trials of both the new product and the original, these generate incremental sale.

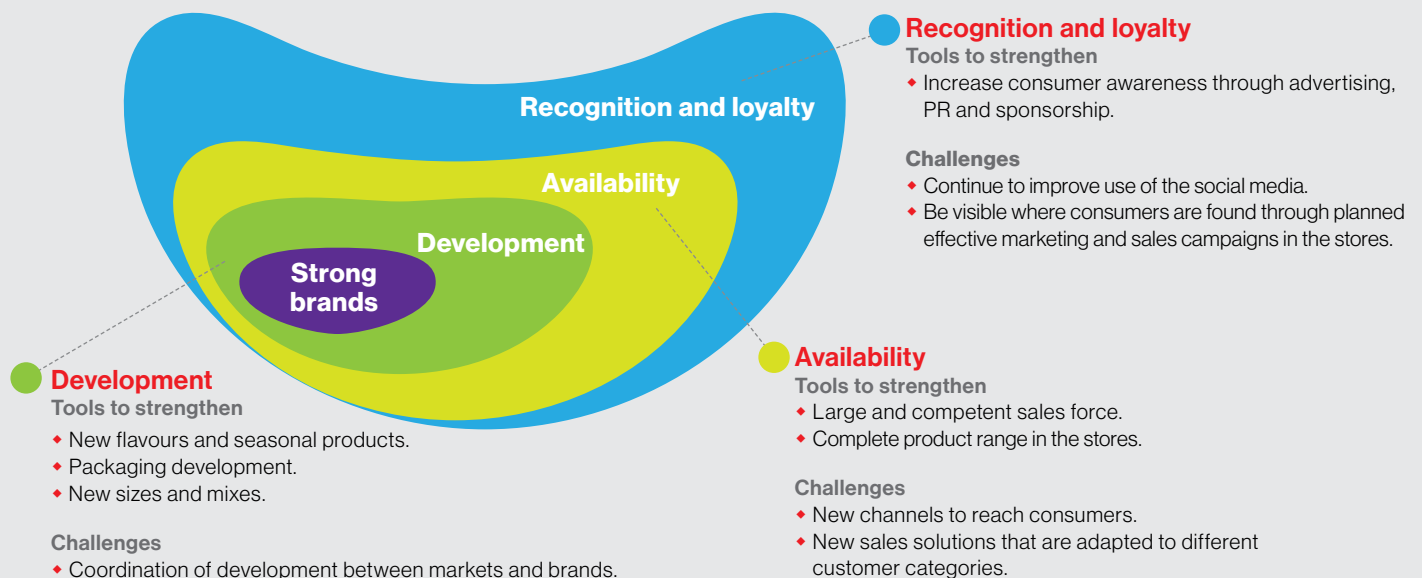
A decisive success factor for new product launches is good exposure in the store, which means that it is crucial how the new products are received by the retail trade. It is therefore vital that the customers regard the products as being needed, easy to handle and profitable.

Package development

An important part of product development consists of package development. The connection between design and product is becoming increasingly clear. The packaging materials must perform several functions, such as protecting the product on its way to the consumer, enabling easy handling of the product, providing product information and communicating the brand.

Packaging development also includes retail packaging.

Cloetta further develops its brands



Examples of new flavours in 2014



Marketing

Effective and well planned marketing, from traditional tools such as outdoor marketing, advertisements/TV commercials and activities in the social media, combined with in-store promotion, stimulates consumer awareness of and demand for Cloetta's products.

Cloetta's marketing is primarily local in nature and is tailored to each brand's strategy and position. Through marketing, the brands are enhanced and consumer awareness and knowledge are increased. Cloetta's marketing is characterised by image-creating brand advertisements in the mass media, sponsorship and events directed to selected target groups.

Social media

Cloetta's goal is to increasingly communicate in the social media as a mean for developing consumer loyalty to the brands but also to create interaction with consumers and gather valuable feedback. The areas of use are:

- ♦ For insight into consumer thoughts and ideas about products, Cloetta uses so-called Candy Portals, i.e. online consumer panels.
- ♦ For knowledge about consumer experiences it is important to listen, answer the questions that come in online via various media and pass on these viewpoints in the organisation.
- ♦ Through cooperation with consumers, i.e. by asking direct questions.

In order to capture attention in the social media, the content must be continuously interesting and based on stories or experiences.

Cloetta's sales organisation

Since confectionery sales are impulse-driven, it is critical to maintain high availability and visibility in the retail trade. For this reason, cooperation with retailers and ideas about how to display the brands, together with in-store campaigns, are fundamental.

Cloetta has a large, trendsetting and innovative sales force in its main markets. Through good relations with the trade and far-reaching knowledge about the industry, market and products, Cloetta can present attractive sales solutions that support the customers' business objectives and create added value for both Cloetta and the customer.

Sales promotion activities

Cloetta typically combines marketing activities with high-impact sales promotion in the retail trade. New product launches are normally given effective sales support through campaigns, events, in-store activities and advertisements to reach consumers as quickly as possible.

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

Increased distribution

Thanks to Cloetta's wide product range consisting of sugar and chocolate confectionery, pastilles and chewing gum, and as of 2014 also nuts, Cloetta is an attractive business partner.

To boost day-to-day growth, the sales organisation must continuously seek new alternative channels through which to sell the products. The traditional grocery and service trades are supplemented with building supply stores, movie theatres, hotels, etc.

Measurement tools

Effective marketing is dependent on continuous monitoring and analysis of changes in consumer patterns. In-depth knowledge about consumers and trends is essential for successful product development and marketing.

Marketing activities are targeted and followed up via two tools: DSI (Digital Sentiment Index) is a metric that summarises the brands' online presence and NPS (Net Promotor Score) continuously measures different aspects of the customer and consumer experience linked to loyalty and recommendation. The purpose of these tools is to quickly track the success of individual activities in the various markets. Thanks to the DSI and NPS measurements the Group can see how marketing initiatives, both traditional and non-traditional, such as activities in the social media for different brands, have contributed to enhancing both the image of and loyalty to these brands.

Protection of intellectual property rights

To prevent infringement of its intellectual property rights, Cloetta uses a special monitoring service that provides alerts about applications for registration of brands, both nationally and internationally, that are identical to or can be confused with Cloetta's key brands.

For example, Kexchoklad's chequered pattern has been design patented for many years and the name Kexchoklad has had brand protection since 2004.

Cloetta's sales strategies



Create good relations with the customers at the central and local level

Through good relations with the retail trade and in-depth knowledge about the industry, market and products, Cloetta can present attractive sales solutions that support the customers' business objectives.



Sell the right products to the right customer

Selling the right products to the right customer creates profitability for both Cloetta and for the customer. Cloetta's sales force is large and effective, which provides good opportunities for a presence in many different sales channels.



Ensure good visibility for Cloetta's products

High visibility in the stores and particularly at the checkout stands is vital for growth in sales. In order to maximise the visibility of Cloetta's products, the sales force also works actively to increase the number of display points in the stores.



Conduct effective sales campaigns in cooperation with the customers

Marketing campaigns are typically combined with sales promotional activities in the stores. The sales force helps the retailers to display these.



Ensure compliance with central agreements with the retail trade

The sales force ensures compliance with central agreements and that the agreed range of products is found in the stores.



Boost sales

By being where consumers are found, it is possible to increase sales. The task for Cloetta's sales organisation is to continuously seek new non-traditional sales points for selected parts of the product range, but also to increase display space and sales in the existing stores.

Strategic initiatives

Through the use of different strategic initiatives, Cloetta can leverage its strong brands and flexible production organisation to generate renewal and growth.

Some examples of strategic initiatives are brand extension, new geographical markets, the relaunch of brands and pure innovations. Strategic initiatives also include price strategies and the related changes in packaging sizes.

Brand extension

Strategic brand development or brand extension is when whole new products are developed under an existing brand. Two such examples are when Cloetta launched chewing gum under the pastille brand Sisu and the launch of pastilles under the chewing gum brand Sportlife.

The relaunch of brands, such as AKO and Hopea Toffee, has also been well received by consumers.

Other strategic initiatives in product development involve cross-branding, as in the case of Polly

bilar, which is a combination of Ahlgrens bilar and Polly.

Innovation and trends

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

Fashion and trends are found in all areas, even in the confectionery industry, where they are primarily related to colours, packages, flavours and ingredients. The ability to identify the trends that could be influential for Cloetta is of major importance and knowledge of trends in the market and consumer behaviour is necessary for development of successful product innovations.

The path to a new product



Market – consumer-driven

Idea – concept 3

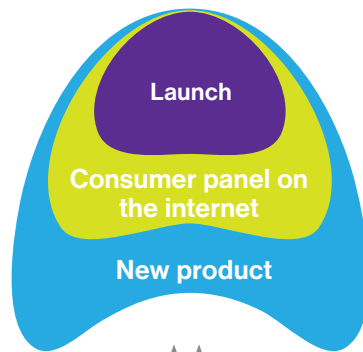
- ◆ Evaluation
- ◆ Market survey

Consumer 2

- ◆ Needs
- ◆ Preferences
- ◆ Ideas
- ◆ Feeling

Target group 1

- ◆ Who?
- ◆ Why?
- ◆ When?
- ◆ What?



Product development – innovation

3 Product solution

- ◆ Product development
- ◆ Packaging
- ◆ Packaging solution

2 Technical solutions

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

1 Trends

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



Market analysis and trend monitoring provide valuable data for the marketing department and careful market monitoring allows follow-up and analysis of changes in consumption patterns. Interaction with consumers via the social media is an important aspect of trend monitoring.

Natural ingredients and sustainability are factors that are affecting the confectionery market to a growing extent. Cloetta has a project aimed at systematically reviewing all products and questioning artificial colours and flavours. As a result of this, sweeteners and fruit flavourings have been replaced with stevia and fruit juice in Dietorelle. Stevia is also used in the sugar-free Läkerol. The acquisition of the brand Goody Good Stuff in 2013 and The Jelly Bean Factory in 2014 was a logical step in this process.

Product development process

An effective product development process is decisive for profitable growth. Product development is steered by the ways in which market trends and new consumer needs can be optimally combined with existing brands.

Cloetta drives category projects in sugar confectionery, chocolate, pastilles, chewing gum and nuts. Within this framework, Cloetta has created a product development process that combines consumer demand and needs with the possibilities found in the existing production structure and the innovation activities being carried out within the Group.

Tools for idea and concept generation and continuous follow-up create the conditions for Cloetta to be an even more innovation active company.

A focus on flavour

Packages and marketing can tempt consumers to try a new product, but if the flavour fails to measure up there is rarely a second purchase. It is therefore critical that the product innovations launched by Cloetta meet consumer requirements and expectations. The focus is on flavour and texture when Cloetta develops new products. Before a product is launched, it undergoes both internal and external taste tests via consumer panels that among other

things assess its flavour, consistency and overall impression.

In order to systematically gather consumer feedback, Cloetta uses a consumer panel that regularly provides feedback and ideas on the Internet after receiving product samples to their homes. The ideas collected so far have been highly valuable for Cloetta's innovation work.

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

The process from concept to a product ready for launch normally takes around one year, but can be accelerated with the use of focused resources.

Launch in new markets

A product that is successful in one market can be launched in another market under an existing local brand. For Cloetta, with its many brands in different markets, scale economies in production can be utilised effectively by matching brands. Two examples of this are the launch of Finnish Tupla under the Swedish brand Powerbreak and Malaco Viva Lakrits, where a number of products from the Group's liquorice assortment in the Netherlands were launched under the Swedish brand Malaco.

In recent years the UK brand Chewits has been launched in several new markets.

Package size

Aside from tasting good and being reasonably priced for consumers, a new product has to be commercially attractive to the retail trade. Packaging and distribution are adapted to the respective sales channels and markets. With the right packaging, many brands that are strong in one market can also secure a good position in new markets. Aside from brand, the important factors include package size and weight.

Package sizes are often associated with price strategies for different customer categories and markets. Changing a package size is therefore a strategic decision for how a brand can be further developed to reach new customers and thereby also new consumers.

Examples of strategic initiatives



Gott&blandat – Larger package.



Galatine soft, Malaco-Viva Lakrits, Sportlunch-Powerbreak – New products under the brand.



Center salmiak – New product in Norway.



AKO – Relaunch.

New markets/segments

Acquisitions and new geographical markets are examples of this growth strategy. In 2014 Cloetta acquired Nutisal, which roasts and sells nuts, and Ireland-based The Jelly Bean Factory. New territories also include the whole new Cloetta chocolate series that has been developed for the Finnish market. Starting in 2015, Cloetta will provide Coop with a pick-and-mix concept, which is a new territory for Cloetta in Sweden.

Cloetta chocolate in Finland

Cloetta's ambition is to significantly strengthen its position in the chocolate category in Finland. This will be achieved by launching new chocolate products under the Cloetta chocolate brand, which is new in Finland.

Until now, Cloetta Finland's chocolate offering has been based on the local brands Tupla and Royal. These brands have limited stretching potential for new consumer needs and product types.

The new Cloetta chocolate brand offers inspiring chocolate experiences, chocolate in combination with a variety of delicious fillings.

So far, the launch of Cloetta's new chocolate range in Finland has consisted of ten products. A few are existing products from the Swedish range under the Center, Sportlunch and Powerbreak brands, which have been redesigned with the new Cloetta chocolate brand. Furthermore, during the autumn completely new products were launched under the brand.

Read more about the launch on page 25.

Nutisal

In January 2014 Cloetta acquired Nutisal, a leading Swedish producer of dry roasted nuts. Following the acquisition, Cloetta can offer a whole new category in the growing nuts market. By exploiting Cloetta's strong distribution network, there is opportunity to capitalise on the powerful market growth in the nuts segment.

Nutisal is the second largest brand in the Swedish nuts market. Nutisal is also sold in the Netherlands, Italy and the Nordic countries.

Cloetta has control over the entire production process, from sourcing of high-quality raw materials to dry roasting, flavouring and packaging at the factory in Helsingborg, Sweden.



The Jelly Bean Factory

The Jelly Bean Factory was acquired in the summer of 2014 and will significantly strengthen Cloetta's position in the UK market. The Jelly Bean Factory's products are offered in 36 different natural flavours that are sold worldwide.

The products are manufactured in a modern facility (built in 2005) in Dublin, Ireland. The Jelly Bean Factory has around 70 employees.

Jelly Beans are known as a product to consumers worldwide, and the acquisition of "The Jelly Bean Factory" will support Cloetta's profitable growth by adding an offering to the Munchy Moments portfolio in the sugar confectionery category.

Cloetta provides Coop with new pick-and-mix concept

In the autumn of 2014 Cloetta signed an agreement with Coop in Sweden to provide them with a whole new pick-and-mix concept starting in 2015. This means that Cloetta will be responsible for the product range, racks, merchandising, etc., in Coop's stores. For many years Cloetta has successfully driven a similar concept, Karkkikatu, in Finland. Pick-and-mix is estimated to account for around 30 per cent of the total confectionery volume in the Swedish market.

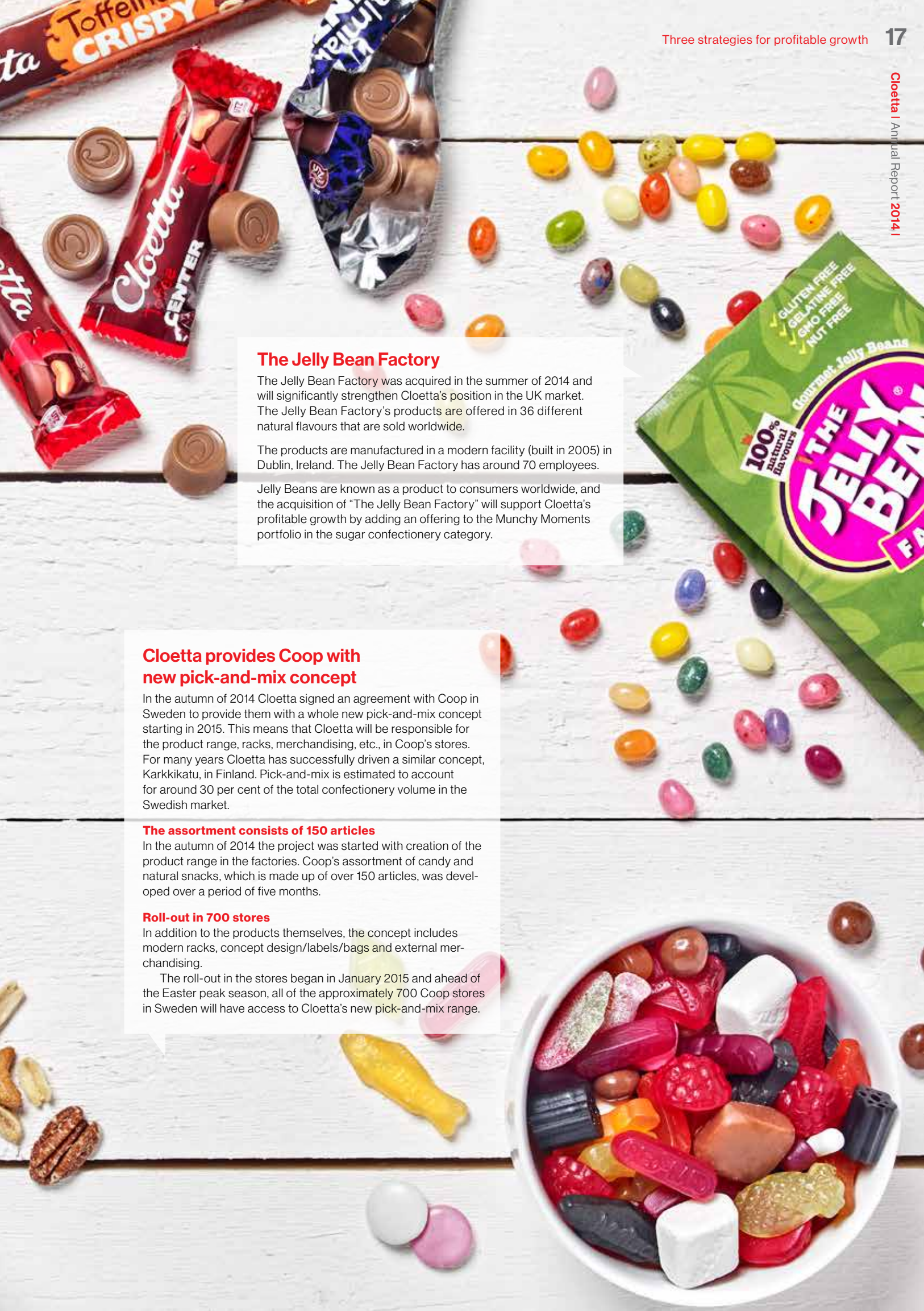
The assortment consists of 150 articles

In the autumn of 2014 the project was started with creation of the product range in the factories. Coop's assortment of candy and natural snacks, which is made up of over 150 articles, was developed over a period of five months.

Roll-out in 700 stores

In addition to the products themselves, the concept includes modern racks, concept design/labels/bags and external merchandising.

The roll-out in the stores began in January 2015 and ahead of the Easter peak season, all of the approximately 700 Coop stores in Sweden will have access to Cloetta's new pick-and-mix range.



Cloetta's leading brands

Cloetta is the name and symbol of the Nordic region's oldest chocolate company, with a very strong local heritage. Cloetta's brands bring a smile to your »Munchy Moments«.

Ahlgrens bilar

is a fruit flavored foam that a large majority of the Swedes love and enjoy. The unique taste and elegant design have been unchanged since 1953, when Ahlgrens' candy factory decided to try to produce marshmallows. The result was not as expected; instead it was small foam pieces of candy in shape like a car. **Sweden's best tasting car** was born! New car models have been launched since then, in flavours such as salty licorice and sweet & sour.

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



Bridge

is a candy mix that was created in 1966 when some employees were playing bridge and ate a mixture of different tasty products that were made at the factory. One day someone came up with the idea of launching this mix of various delicious flavours in a bag. Bridge is **the mature candy mix where everyone can find their favourite**.

Sold in: Sweden, Norway and Denmark.



Center

has been around since 1941 when the roll was first launched. **The tasty roll in the centre of attention** – just unroll a piece and enjoy!

Sold in: Sweden, Norway, Denmark, Finland, Russia and Cyprus.



Chewits

was launched in the UK in 1965 as **a chew sweet**. The original flavours consisted of strawberry, blackcurrant, orange and banana which have now developed into wider flavour formats. Chewie the Chewitsaurus is the brand mascot who encompasses the brand values for both children and adults.

Sold in: the UK, the Baltics, Denmark, Norway, Russia, Italy, Finland, Portugal and Malta.



Dietor

has been **synonymous with sweeteners** in the Italian market since 1975. Dietor is available as a powder, in liquid form, as pills and stevia-based products.

Sold in: Italy, Bulgaria, Greece, Germany and the Czech Republic.



Dietorelle

was launched in 1977 and has a leading position in the Italian market for sugar-free confectionery. The brand, **a world of natural pleasure**, stands for flavour, fun and colour and is a natural choice thanks to stevia and fruit juices.

Sold in: Italy, Switzerland, Spain, the Czech Republic, Malta, Cyprus, South Africa, Albania, Lebanon, Finland, Israel, Canada, Germany, Belgium, Azerbaijan, France, Chile, Colombia, Egypt, Morocco, Panama, Portugal, Slovenia and Ukraine.



Galatine

is a hard pastille that **consists of up to around 80 per cent milk** and was launched in 1970. Galatine is today the single most sold candy and one of the most loved brand in Italy, with a high level of confidence among parents and a strong appeal to children and young adults. The Galatine family also includes Choco for an adult target group, an indulgent chocolate-coated pastille with a unique flavour.

Sold in: Italy, Hong Kong, Germany, Singapore, Spain, Ukraine, Ghana, Panama, France and Malta.



Goody Good Stuff

the natural gummy candy range, was launched in the UK in 2010. The range pioneers a plant-derived bio-gum technology that eliminates the need for animal-based gelatine, which is traditionally used in gum-based sweets. In addition, the range is free from artificial colours and flavours and replaced with fruit, vegetable which have been plant extracts.

Sold in: the Netherlands, the UK, the USA, Switzerland, Canada, Sweden, Denmark, Norway, Finland, Germany, France, Australia and Korea.



The Jelly Bean Factory

offers 36 different flavours of jelly beans, made from 100 per cent natural flavours and fruit juices. Free from gluten, gelatine, GMO and nuts. The Jelly Bean Factory was established 1998 in Ireland. Every day, 12 million jelly beans are produced at the factory in Dublin and are then packaged in a wide range of playful packages. **The most juicy, mouthwatering jelly beans on the planet.**

Sold in: the UK, the USA, Canada, the Netherlands, the Middle East, Ireland and Germany.



Jenkki

is the leading chewing gum in Finland by a wide margin and was introduced on the Finnish market in 1951. In 1975 Jenkki launched **the world's first xylitol-sweetened chewing gum**. Jenkki Professional is sweetened with 100 per cent xylitol, which means that EU has given an approval for a health claim for Jenkki gum sweetened with 100 per cent xylitol. Jenkki is available in several flavours and packages.

Sold in: Finland and Estonia.



Juleskum

is the original that has become a natural part of the Swedish Christmas traditions. Cloetta started making marshmallow Santas as early as the 1930s, but the real predecessor to today's Juleskum was not introduced until the 1960s. Each year a limited edition is released, this year with the taste of gingerbread. Even if Juleskum is only sold for a limited period around Christmas, it is **the fourth best-selling candy bag in Sweden** on an annual basis. Juleskum Original is a fluffy, two-colored marshmallow Santa with a taste of strawberry.

Sold in: Sweden, Norway and Denmark.



Kexchoklad

which was launched as early as 1938, is one of Cloetta's active Swedish classics. **Sweden's best tasting gap fill**. Three layers of crispy, chocolate-covered filled wafers make Kexchoklad a snack for active people who need to quickly replenish their energy. Kexchoklad is available in a range of sizes and packages.

Sold in: Sweden, Denmark, Baltics, Russia and Cyprus.



King

Family De Vries started producing peppermint in 1902. In 1922 they thought it would be successful to start using a brand name for their peppermint, so they did and KING was born. Over time, the brand has evolved from a simple throat lozenge to **a modern breath freshener**. Today, after more than 90 years, we still use the same, secret peppermint blend that makes KING loved by many Dutch consumers.

Sold in: the Netherlands, Belgium, Canada, the USA, Singapore, Hong Kong, Latvia, Lithuania, Russia, Spain, UK and Suriname.



Läkerol

is a classic brand and **the tastiest refresher for all occasions**. The first box was sold in 1909. Läkerol is available in a variety of flavors and fulfill a function both when you want to smooth the throat, refresh your breath and just fancy something tasty. **Läkerol makes people talk.**

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



Läkerol Dents

a smart habit for strong teeth, is a soft, sugar-free, chewy pastille with xylitol that gives you both fresh breath and strong teeth. Läkerol Dents has plenty of tasty flavours, a delightfully soft and chewy consistency and dental care qualities.

Sold in: Finland and Sweden.



Plopp

is the square one treats oneself or a person close to heart. Originally introduced in 1949, Plopp is personified by the little mini bar that stands for nostalgia, fun and playfulness. Plopp is wonderful milk chocolate filled with soft toffee.

Sold in: Sweden.



Polly

was launched in 1965 and is the leading brand of bagged chocolate on the Swedish market. **It's impossible to eat just one.** Polly is delightfully chewy foam drops, covered with chocolate. The original is flavoured with vanilla, arrack and butter toffee. Polly is also **the candy that surprises**, for example with Polly Bilar which is a combination of Polly and Ahlgrens bilar.

Sold in: Sweden, Finland, Denmark and Estonia.



Malaco

offers a wide variety of sugar confectionery products. The name Malaco comes from the first letters in the company name Malmö Lakrits Compani, which was founded in 1934. Over the years, many new products have been launched under the brand, such as Gott & blandat, TV MIX, Aakkoset (alphabet in Finnish), Familie Guf, Lagerman Konfekt, VIVA Lakrits and Kick. Quite simply – **Saturday all week.**

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



Mynthon

is the leading pastille brand in Finland, where it was launched in 1976. **Fresh and effective** is Mynthon's brand essence. The product range consists of hard and compressed pastilles in a variety of fresh flavours. In 2012, chewing gum was also launched under the brand.

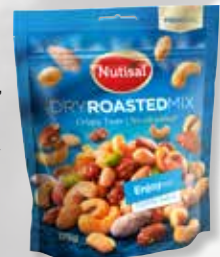
Sold in: Finland, the Baltics, Norway, Russia, Sweden and Hungary.



Nutisal

is the Group's **nut expert** as of 2014. The business started in a shop in Beirut, Lebanon. There, back in 1948, a unique way of roasting without oil called 'dry roasting' was developed. Nutisal took this technology to Europe and created a range of dry roasted mixes. Because no oil is used in the process, the consumer can enjoy the genuine taste of nuts.

Sold in: Sweden, Denmark, Norway, Germany, Finland, the Netherlands and Italy.



Red Band

has roots going back to 1928. Since the start, the Red Band brand has built up a leading position in the Dutch and German sugar confectionery markets with a **promise to deliver fun, quality and pleasure.** The classic Winegum Mix, the original Drop Fruit Duo's and Pret Mix are some of the well known products that are sold under the Red Band brand.

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



Saila

was launched in Italy in 1937 and is now one of Italy's best known and leading brands of pastilles. After becoming part of Cloetta's portfolio in 2007, Saila has emerged as a star in the pastilles market thanks to its unique beans and licorice products. Saila's slogan is **uniquely essential refreshment.**

Sold in: Italy, Bulgaria, Malta, Canada, Germany, Spain, France, Belgium and Egypt.



Sperlari

in the form of **traditional Italian nougat** – il Torrone – was launched by Enea Sperlari back in 1836. The secret behind Sperlari's success lies in the combination of tradition and modernity, old recipes that meet new flavours, the finest ingredients and a passion for the craft. Sperlari is a cherished Christmas tradition, but the range includes a wide offering of nougat and chocolate, as well as sugar confectionery.



Sold in: Italy, France, Germany, Switzerland, the United Kingdom, Malta, Albania, Canada, the USA, Australia, Venezuela, Lebanon, Slovenia, Denmark, Belgium, Croatia, Bolivia, Colombia, Nicaragua and Panama.

Sportlife

was launched in the Netherlands in 1981 as the first chewing gum in "blister" packaging. Since the start Sportlife has been a leader on the Dutch market and has also a strong position in Belgium. Sportlife is based on the brand essence of **unexpected freshness** with an international brand profile. In 2013 Sportlife mint pastilles were launched.

Sold in: the Netherlands, Belgium, Russia and Suriname.



Sportlunch

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

Sold in: Sweden and Norway.



Sisu

is a liquorice pastille flavoured by secret Sisu-aroma that was launched in Finland in 1928. Sisu is named for the true nature of the Finnish people – the word "sisu" means guts, endurance or relentless courage. For the Finns, the Sisu brand is part of the Finnish spirit that no other brand can replace. **Sisulla siitä selviää.** (With Sisu, you can do it). Sisu is available in several flavours packaged in both boxes and bags. Since 2013 Sisu chewing gum is available.

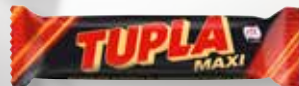
Sold in: Finland.



Tupla

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

Sold in: Finland, the Baltics and Russia.



Venco

Venco was launched as early as 1878 and is the leading liquorice brand in The Netherlands. Venco has '**a passion for liquorice**' which is delivered in a wide range of unique, iconic and topselling items like chalk and honey liquorice. When Dutch think of liquorice, they think of Venco.

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



XyliFresh

XyliFresh was launched in the Netherlands in 1991 and is positioned as a **dental chewing gum.** It is the only brand in the Netherlands with 100 per cent xylitol. Xylitol reduces plaque, which results in the prevention of cavities. This is included in an official statement from the EFSA (European Food Safety Authority). XyliFresh offers great tasting refreshment and oral care that fits a balanced lifestyle.

Sold in: the Netherlands.



The confectionery market

The confectionery market is traditionally divided into sugar confectionery, chocolate confectionery, pastilles and chewing gum. Cloetta is active in all of these categories as well as nuts.

Cloetta's main markets are Sweden, Italy, Finland, the Netherlands, Norway and Denmark. The total market for confectionery in Cloetta's main markets amounts to approximately SEK 90bn. The markets where Cloetta is active account for around 67 per cent of Western Europe's total confectionery consumption. The Nordic market for nuts amounts to approximately SEK 5bn.

Mature market

The confectionery market is relatively insensitive to economic fluctuations and shows stable growth that is driven primarily by population trends and price increases. The market recession is affecting Cloetta mainly through general price pressure from the retail trade and increased competition from the trade's own private labels. However, private labels account for a relatively small share of confectionery compared to other grocery products.

Because growth takes place almost exclusively through the development of existing strong confectionery brands, the continuous launch of new flavours and products is a key success factor.

In terms of value, sugar confectionery accounts for around 24 per cent, chocolate confectionery for around 57 per cent and pastilles and chewing gum for around 20 per cent of the total market in Cloetta's home markets.

Competitive market

The global market for confectionery is dominated by international companies like Haribo, Lindt & Sprüngli, Nestlé, Mars/Wrigley, Mondelez (former

Kraft Foods), Perfetti and Ferrero. But in the local markets these meet tough opposition from players with locally established brands such as Cloetta, Fazer, Orkla and Toms. No player has a strong position across all European markets.

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

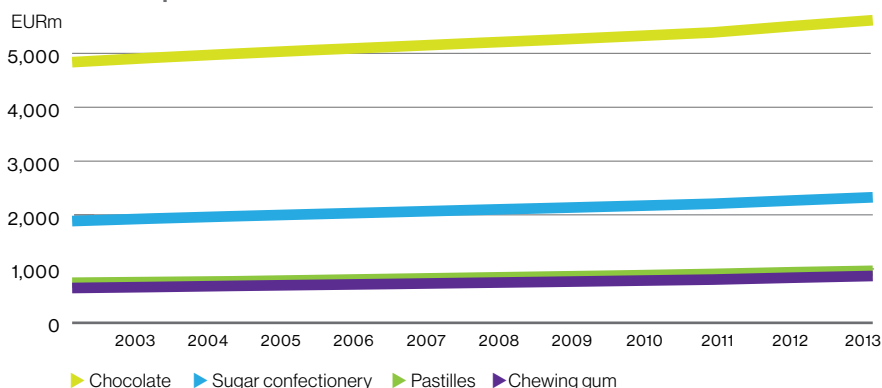
The nut market

Since 2014 Cloetta is also active in the nut market following the acquisition of Nutisal. The total nut market is worth around SEK 5bn in the Nordic region and is growing by 5–8 per cent annually in Western Europe. The retail trade's private labels (EMV) account for around one third of the total market.

Consumption patterns

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

Market development in Cloetta's main markets¹



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

Cloetta's sales channels

Grocery trade



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



Service trade



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



New sales channels



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



Consumption patterns and taste preferences vary between the different markets, and compared to the rest of Europe, for example, the Nordic region has lower per capita consumption of chocolate but significantly higher consumption of sugar confectionery than the rest of Europe.

Pick-and-mix

The pick-and-mix category has a very strong position in the Nordic countries and accounts for a high share of total confectionery consumption, while consumption of pick-and-mix is considerably lower in Central Europe where packaged sugar confectionery and chocolate have a stronger position.

Traditional sales channels

Cloetta's foremost sales channels are the grocery retail trade and the service trade. The grocery retail trade has undergone extensive consolidation and restructuring over the

past ten years, when the number of stores has decreased at the same time that floor space per store has grown larger. Concentration in the grocery trade is high in the majority of European markets. This concentration of the grocery retail trade means that the channel can place high demands on its suppliers, at the same time that Cloetta as a leading supplier has opportunities for more efficient cooperation. Strong brands and high-quality products that are attractively priced and displayed and effectively marketed are therefore of great importance.

A large share of everyday consumption of confectionery has traditionally taken place via the service trade, i.e. filling stations and convenience stores, kiosks, etc. Over the past decade the service trade has decreased, primarily due to fewer filling stations, but also because the service trade has developed a growing number of its own snack alternatives that compete with confectionery.

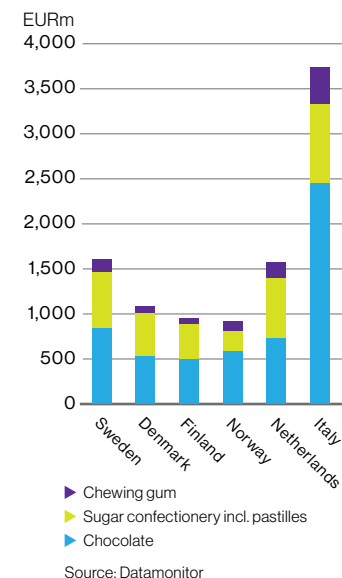
New sales channels

Because availability and a strong brand are two of the most important factors for impulse-driven purchases, new types of sales channels are evaluated continuously in order to ensure availability where consumers are found.

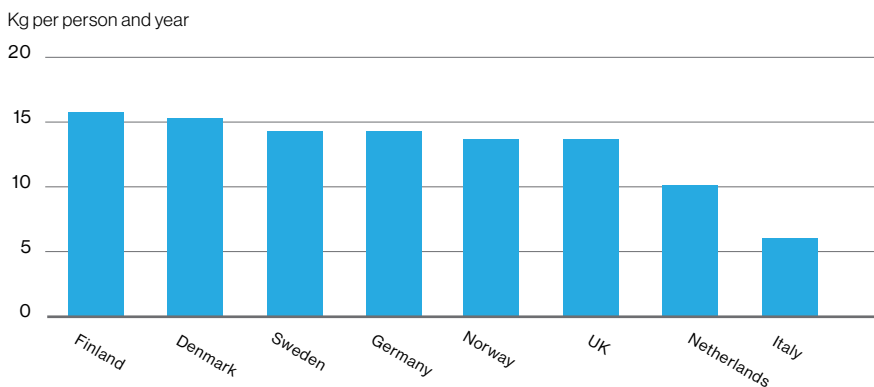
Other sales channels include channels where confectionery has been offered for many years, including ferry lines, movie theatres, airports and arenas, but also channels that have not been traditionally associated with confectionery sales such as building supply stores, hotels and bars.

One important success factor is to develop different types of packaging solutions to help customers in the different channels display the products.

Market size, by region, Cloetta's main markets



Per capita consumption of confectionery in 2013



6 distinct consumer trends



Genuine raw materials

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



Treating ourselves

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



On-the-go

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



Responsibility for the environment and working conditions

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



Health and functional confectionery/snacks

People are increasingly seeking raw materials with positive health effects. Cocoa, xylitol and nuts are good examples. In January 2014 Cloetta acquired Nutisal, a brand that offers a wide range of different nuts, which are among other things rich in vitamins and minerals.



Social media increasingly important

Direct communication with consumers via the social media is increasingly important in further developing the brands' personalities and monitoring trends. Via consumer panels on the Internet, consumers also take part in development of new products and concepts.

Attention-getting campaigns

All of Cloetta's leading brands have a distinctive identity that is formulated in solid brand platforms. These provide a basis for both short- and long-term plans for the brand, and are the starting point for product development and marketing.



Consumers engaged in the launch of the new flavour Läkerol Raspberry Lemongrass

Läkerol Raspberry Lemongrass was launched in Denmark through the communication platform "Smag er smuk", meaning "Taste is beautiful". The underlying idea behind the campaign is that tastes create memories and associations. Prior to the launch, a few promising young photographers were asked to interpret the flavour Raspberry Lemongrass. The pictures were then published in the social media, videos, outdoor advertisements, printed media, posters and postcards. A number of bloggers called attention to the campaign by urging everyone to create their own interpretation of Raspberry Lemongrass (mainly via Instagram).

As a result of the campaign, the new flavour became a successful launch. The campaign also won an award in the Danish media competition Rambuk 2014 for Best Content Activation. Furthermore, the costs were relatively low since most of the content was produced and published by Läkerol fans.



Polly Goes Bananas with Sean Banan

How crazy can you get? Well, in fact, popcorn, bubble gum and banana were the new flavours featured in Polly Goes Bananas, which was developed in collaboration with the popular comedian and musician Sean Banan. The videos of Sean Banan and his dancers performing tricks with Polly reached a public of millions through the social media. During the campaign period, the videos were among the most shared in the social media and were among the top 5 most viewed of all commercials on YouTube in Sweden. The new bag contributed to pushing the overall market shares for Polly to new heights during 2014.

Cloetta – a more playful chocolate brand in Finland

The launch of the Cloetta chocolate brand was conducted on a wide scale via multiple channels to create awareness of the brand and tempt consumers to sample the products. Short video clips were posted on the Internet, combined with outdoor campaigns and various activities in the social media. The underlying idea behind the concept is that there is a gap in the market for a more playful brand that can offer something new alongside the more traditional brands. The communication concept was christened "A little bit of MIND-MAGINATION". The campaign has attracted major attention, sales have surpassed expectations and a large amount of material has been produced for Facebook and Instagram by Cloetta fans.



Markets

Cloetta's main markets are the countries where Cloetta has its own sales and distribution organisations, and consist of Sweden, Finland, Italy, the Netherlands, Norway and Denmark.

In addition to the main markets, Cloetta's products are sold through distributors in some 40 additional markets.

Cloetta's total sales in 2014 amounted to SEK 5.3bn (4.9), where Sweden was the largest single market and accounted for approximately 32 per cent of total sales. The other Nordic countries accounted for around 28 per cent, Italy for around 14 per cent, the Netherlands for around 12 per cent and the other markets for around 14 per cent of total sales.

Compared to 2013 net sales were up by 8.6 per cent, of which organic sales rose by 1.0 per cent, acquisitions accounted for 4.3 per cent and exchange rate differences represented 3.3 per cent.

Strong presence

Cloetta has a strong position in its main markets, with local brands in the segments for sugar and chocolate confectionery, nuts, pastilles and chewing gum, and is therefore an important supplier to the retail trade.

Over half of Cloetta's sales consist of sugar confectionery and around 17 per cent of chocolate. Pastilles account for roughly 16 per cent, chewing gum for 7 per cent, nuts 3 per cent and other products, mainly sweeteners, for 5 per cent.

Concentration of the grocery retail trade

In Cloetta's main markets in the Nordic region, around 80 per cent or more of total of total grocery sales are attributable to the three largest chains in each country. In the Netherlands the share is around half, but is significantly lower in Italy.

Price strategies

The concentrated grocery retail trade has exerted powerful price pressure on all of its suppliers in the past few years. To a large extent, Cloetta has handled this through efficiency improvements. To offset increased raw material costs and exchange rate changes, Cloetta's strategy is to pass these on by raising prices. On the other hand, falling prices for raw materials can force Cloetta to lower its prices. Read more about raw material costs on page 44.

Travel Retail

For many years Cloetta has had substantial sales to ferry lines, charter tour operators and airports, through the so-called Travel Retail.

Well known brands and unique packages in terms of both appearance and size are two of the most important competitive tools, and Cloetta is continuing to develop attractive product innovations in these areas.

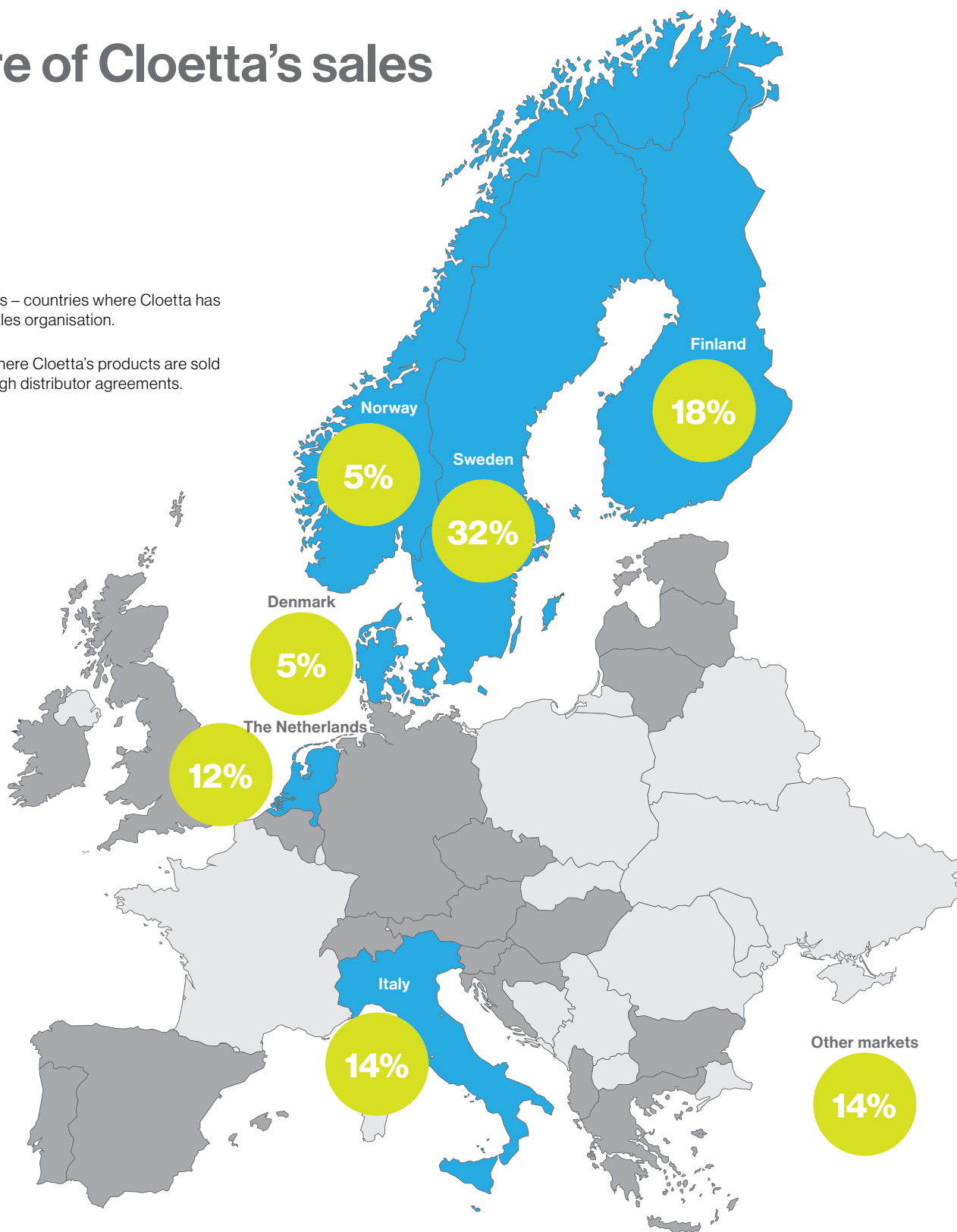
Cloetta a leader in the markets in:

Sweden	Denmark	Finland	Norway	The Netherlands	Italy
Sugar confectionery Countlines Pastilles Chocolate bags	Pastilles Sugar confectionery	Pastilles Chewing gum Sugar confectionery	Pastilles Sugar confectionery	Pastilles Sugar confectionery Chewing gum	Seasonal products Sweetener Sugar confectionery
					

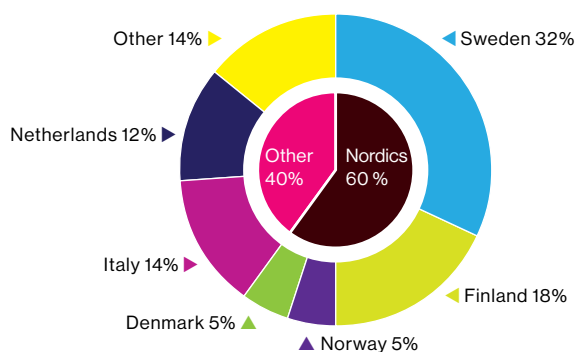
Share of Cloetta's sales

▶ Main markets – countries where Cloetta has a national sales organisation.

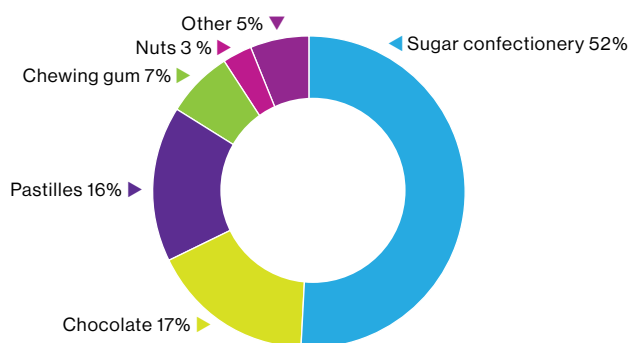
▶ Countries where Cloetta's products are sold mainly through distributor agreements.



Net sales by country



Cloetta's net sales by category



Sweden

 **Population:** 9.7 million

Market size: Consumer sales of approx. SEK 13.7 billion

Largest customers: Axfood, Coop, ICA and Privab

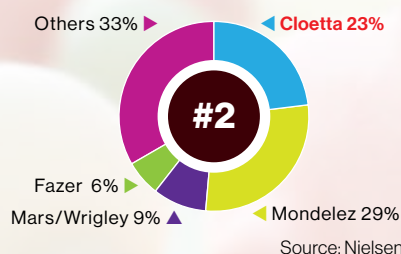
Top-selling brands: Malaco, Kexchoklad, Läkerol, Ahlgrens bilar, Polly, Center, Nutisal, Juleskum, Plopp and Sportlunch

Source: Datamonitor



Largest players, Sweden

Confectionery market



Sweden is the largest single market in the Nordic region, with around one third of the region's total confectionery consumption. In 2014 the total market showed weakly positive development.

In terms of value, sugar confectionery accounts for around 21 per cent, chocolate confectionery for around 57 per cent, pastilles for around 9 per cent and chewing gum for around 13 per cent. Pick-and-mix is an important part of the total market and accounts for 30 per cent.

Cloetta's sales and competitors

Cloetta's sales in the Swedish market accounted for 32 per cent (33) of the Group's total sales in 2014. Cloetta is the second largest player in Sweden with around 23 per cent (23) of the confectionery market. The market leader is Mondelez (former Kraft Foods, with brands such as Marabou) with approximately 29 per cent (29) of the market. The retail chains' private labels have a share of around 5 per cent of the Swedish market.

Sales channels

The Swedish grocery retail trade is concentrated and increasingly centrally steered, but with good opportunities for influence at the local store level. The task for Cloetta's sales force is to ensure distribution as well as placement and space in the stores in compliance with central agreements, but also to provide support in the implementation of campaigns and launches according to the needs of each customer.

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


Sales organisation

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

Nutisal

In 2014 Nutisal's operations were integrated into Cloetta. Nutisal has grown and commands 11 per cent of the Swedish nut market.

Denmark

 **Population:** 5.6 million

Market size: Consumer sales of approx. SEK 9.4 billion

Largest customers: Coop, Dansk Supermarked and SuperGros

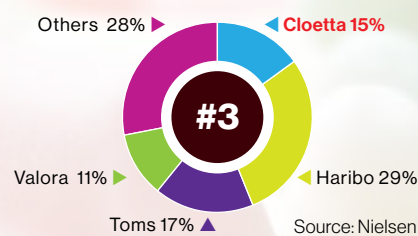
Top-selling brands: Malaco, Lakrisal, Läkerol, Center and Juleskum

Source: Datamonitor



Largest players, Denmark

Sugar confectionery and pastilles market



Denmark is the second largest market in the Nordic region, with around one fourth of the region's total confectionery consumption. The Danish confectionery market was flat during 2014.

Cloetta's sales and competitors

Cloetta's sales in Denmark accounted for 5 per cent (4) of the Group's total sales in 2014.

Cloetta is the third largest player in Denmark, with around 15 per cent (14) of the pastille and sugar confectionery market. The market leaders are Haribo with around 29 per cent (28) and Toms with approximately 17 per cent (18). In 2014, Nutisal was integrated into Cloetta Denmark's product range.

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

Sales channels

The grocery trade in Denmark is moving towards greater centralisation, but with a combination of centrally-driven chains and a more decentralised approach than in the other Nordic countries. Extensive efforts at the individual store level are therefore required to achieve distribution and sales of in-store display stands.

Sales organisation

In Denmark there are around 35 employees at the office in Brøndby and in the sales organisation.

Finland

 **Population:** 5.5 million

Market size: Consumer sales of approx. SEK 8.3 billion

Largest customers: SOK, Kesko and Tuko

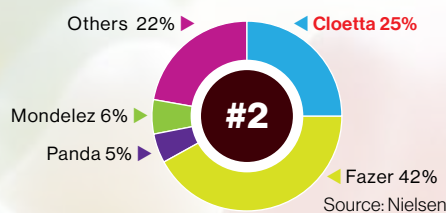
Top-selling brands: Malaco, Jenkki, Mynthon, Läkerol, Sisu and Tupla

Source: Datamonitor



Largest players, Finland

Confectionery market



Finland is the third largest market in the Nordic region, with around one fifth of the region's total confectionery consumption. The Finnish market was essentially unchanged in 2014.

In terms of value, sugar confectionery accounts for around 30 per cent, chocolate confectionery for around 32 per cent, pastilles for around 11 per cent, chewing gum for around 8 per cent and other products for around 19 per cent.

Cloetta's sales and competitors

Cloetta's sales in Finland accounted for 18 per cent (18) of the Group's total sales in 2014. Cloetta is the second largest player in the Finnish market, with a share of 25 per cent (24) of the confectionery market. The market leader is Fazer, with approximately 42 per cent (43) of the confectionery market. The retail chains' private labels have a share of around 7 per cent of confectionery sales in the Finnish market.

Sales channels

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

Sales organisation

In Finland there are around 160 employees at the office in Turku and in the sales organisation.

Norway

 **Population:** 5.2 million

Market size: Consumer sales of approx. SEK 8.0 billion

Largest customers: Coop, ICA, NorgesGruppen and Rema

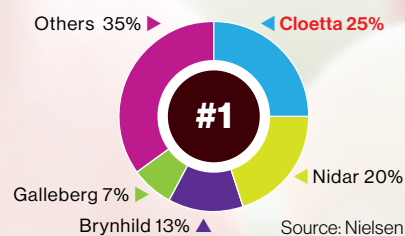
Top-selling brands: Malaco, Läkerol, Pops and Ahlgrens bilar

Source: Datamonitor



Largest players, Norway

Sugar confectionery and pastilles market



Norway is the smallest market in the Nordic region, with just under one fifth of the region's total confectionery consumption. The Norwegian confectionery market grew somewhat in 2014.

Cloetta's sales and competitors

Cloetta's sales in Norway accounted for 5 per cent (5) of the Group's total sales in 2014.

Cloetta is the third largest player in the Norwegian confectionery market. In the market for sugar confectionery and pastilles, Cloetta is the leading player, with a market share of 25 per cent (25). Nidar (owned by Orkla) has around 20 per cent (20) and Brynhild has around 13 per cent (13) of the Norwegian sugar confectionery and pastilles market.

The retail chains' private labels have a share of confectionery sales of around 4 per cent in the Norwegian market.

Sales channels

As in the other Nordic countries, the grocery retail trade in Norway is dominated by major chains. In 2014, ICA announced that it would leave the Norwegian market by selling its operations to Coop, further consolidating the market. Decisions about the product range are made at a central level and effective cultivation by the sales force is decisive in achieving product listings. The Norwegian market is also more driven by product innovations than the other Nordic markets.

Sales organisation

In Norway Cloetta has around 45 employees at the office in Høvik and in the sales organisation.

The Netherlands



Population: 16.9 million

Market size: Consumer sales of approx. SEK 14.0 billion

Largest customers: Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam

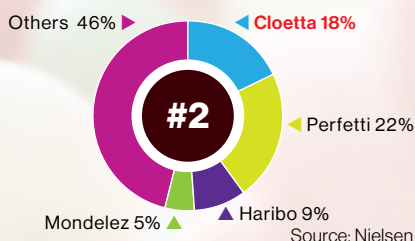
Top-selling brands: Sportlife, XyliFresh, King, Red Band and Venco

Source: Datamonitor



Largest players, the Netherlands

Sugar confectionery including pastilles and chewing gum



The Netherlands is the sixth largest market in Western Europe, with just over 4 per cent of the region's confectionery consumption. The Dutch market for pastilles and chewing gum decreased during 2014, while the market for sugar confectionery was essentially unchanged.

Cloetta's sales and competitors

Cloetta's sales in the Netherlands accounted for 12 per cent (13) of the Group's total sales in 2014.

Cloetta is the second largest player in the Dutch sugar confectionery market, with a share of 18 per cent (17). The market leader is Perfetti with around 22 per cent (18).

The retail chains' private labels have a share of around 12 per cent of total sugar confectionery sales in the Dutch market.

Sales channels

The grocery retail trade is concentrated around a few major players. With primarily centralised purchasing, it is possible to achieve wide and rapid distribution of the new products that are launched. The hard-discount retail chains, primarily selling private labels, have increased their market share to 15 per cent. Cloetta is not present in this channel.

Sales organisation

In the Netherlands Cloetta has around 55 employees at the office in Oosterhout and in the sales organisation.

Italy



Population: 61.7 million

Market size: Consumer sales of approx. SEK 32.5 billion

Largest customers: Auchan Group, Coop, Esselunga, Carrefour Group and CONAD

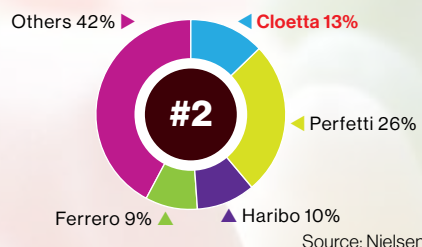
Top-selling brands: Sperlari, Diotor, Salla, Dietorelle and Galatine

Source: Datamonitor



Largest players, Italy

Sugar confectionery market



Italy is the fourth largest market in Western Europe, with close to one tenth of the region's total confectionery consumption. In 2014 the Italian confectionery market declined somewhat.

Cloetta's sales and competitors

Cloetta's sales in Italy accounted for 14 per cent (15) of the Group's total sales.

Cloetta is the second largest player in the Italian market for sugar confectionery and pastilles, with a share of around 13 per cent (14). The foremost competitors are the market leaders Perfetti, Haribo and Ferrero. Perfetti has a market share of around 26 per cent (23), Haribo 10 per cent (10) and Ferrero 9 per cent (10).

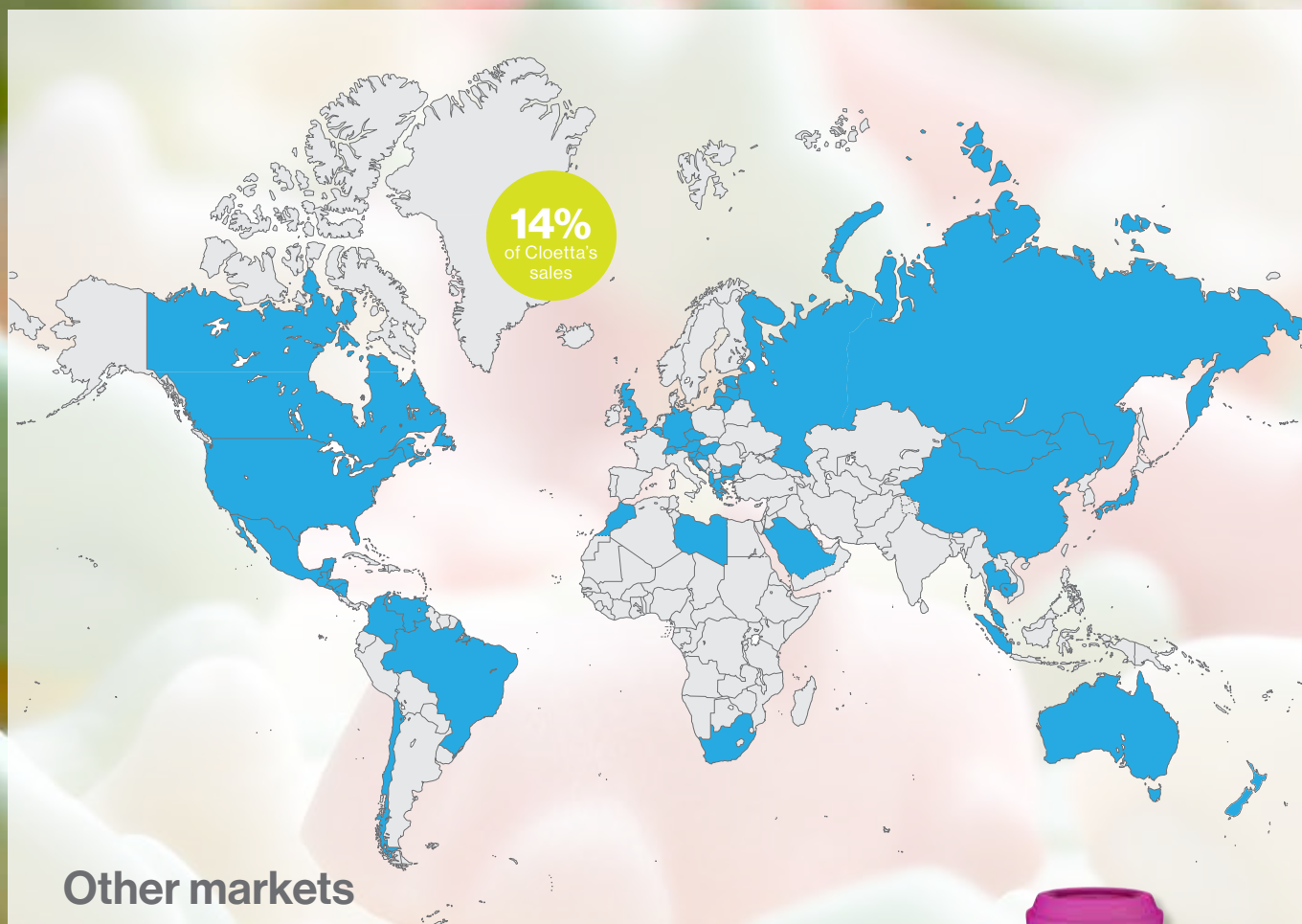
The retail chains' private labels have a market share that rose slightly and amounted to around 10 per cent of sugar confectionery sales in the Italian market.

Sales channels

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

Sales organisation

In Italy Cloetta has around 140 employees at the office in Cremona and in the sales organisation.



Other markets

All in all, other markets accounted for 14 per cent (12) of Cloetta's total sales in 2014 with Germany and the UK as the largest markets.

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

External distributors

In certain countries, such as Germany, the United Kingdom, the Baltic countries and Singapore, Cloetta has a small organisation and its own staff,

but handles sales and distribution through external distributors.

Other key markets where Cloetta has no sales and distribution organisation of its own are Belgium, Canada, Switzerland, Austria, the Middle East and Hong Kong. The common denominator for these markets is that Cloetta has a strong niche position in certain categories.

Important brands

The most important brands in Other markets are Chewits, Red Band, Läkerol, Sportlife, Sperlari, The Jelly Bean Factory and Tupla.



Munchy Moments

Traditional market segmentation on the basis of age, gender, income, etc., has little relevance for positioning of brands in the confectionery market. To a large degree, a consumer's choice of brand is determined by need and the consumption occasion. Cloetta's portfolio includes products for:

Moments that add luxury to everyday life and provide pleasure and enjoyment, such as Ahlgrens bilar, Red Band and Spelari.



Energy between meals, such as Kexchoklad, Tupla and Nutisal.



Health, such as xylitol chewing gum like Jenkki, XyliFresh and Läkerol Dents.



Sore throat relief or fresh breath, such as Läkerol, King and Sportlife.



Surprice. Mint Moment

Cloetta has chosen to define the above needs/preferences as Munchy Moments. The acquisition of Nutisal, with dry roasted nuts, is a natural part of the Group's needs segmentation and clearly illustrates the idea behind the vision and mission.

New business process system drives greater efficiency

Cloetta is currently implementing a new business process system throughout its operations. Through harmonisation and standardisation, it is possible to tie together all parts of the Group.

Per Svensson, Cloetta's Chief Information Officer, explains

"We launched the project in 2011 and since then, different parts of the Group have been integrated one by one. In 2014 we completed the implementation in Finland and later in the year the Benelux region with three factories and a commercial organisation. In the second half of the year projects were started to roll out the solution at the factories in Sweden for deployment at the beginning of 2015. In 2015 the commercial organisations in Germany and the UK and the factory in Ireland are next in line, and the process will be completed in 2016 with Italy.

"We have chosen to use a standard system that currently has eight modifications. Reducing the number of modifications from more than 500 down to eight represents a major process of change. And as in all such processes, the biggest challenge lies in getting the employees to alter their working methods, not making the IT system itself work. Initially, there is often some resistance to adopting new working processes and converting from the earlier customised system. One old truth is that an IT system is never more popular than when it is time to replace it. However, on the whole the implementation has gone more smoothly than expected.

"But the fact that the business process system will soon be found everywhere doesn't mean that our work is done. Rather, it means that we can now embark on our journey towards even more profitable growth. We have created a platform that will enable us to make high quality fact-based decisions, quickly and effectively. Through more standardised and harmonised information and increased knowledge, we can refine our business and further hone our capabilities in processes such as those we call 'order to cash' and 'supply chain'. In the same business process system, using the same processes, we can follow an order from customer, procurement of raw materials, production, warehousing, delivery, payment and accounting."



"Effective and standardised global business processes of a high quality support fact-based decision-making. Our global business system is the platform for profitable growth and increased profit margins"

Per Svensson, Chief Information Officer

Corporate responsibility

Cloetta's overall goal for corporate responsibility is to build sustainable long-term value. For Cloetta, sustainable value is about growing as a company while at the same time ensuring that the people and environments that are impacted by Cloetta's operations or products are positively affected.

Cloetta's work with corporate responsibility is steered by the Group's Code of Conduct. The Code of Conduct is a set of guidelines and principles for the way in which the company conducts operations and the employees' actions in relation to consumers, customers, suppliers, shareholders and colleagues. They are based on Cloetta's core values; Focus, Passion, Teamplay and Pride.

Sustainability every day

Cloetta's continuous striving for sustainable development is mainly focused on respect for the employees' health and development, control of raw materials and first line suppliers, manufacturing safe products, handling complaints/returns effectively and reducing the Group's environmental impact. Measures to achieve day-to-day sustainability are described in this annual and sustainability report within the affected areas, such as product safety in the Production section and efforts to create a good working environment in the Employees section.

Strategic initiatives

In addition, Cloetta takes various strategic initiatives. These can consist of major investments to improve the working environment or reduce environmental impact, or the development of methods to promote management by objectives and alignment of values. Other strategic initiatives include systematic work to increase the share of natural products and continued efforts to find methods for

purchasing of sustainable raw materials from developing countries.

Scope

Cloetta's sustainability work primarily covers the company's own operations, meaning Cloetta's direct impact on the environment and people.

Cloetta's commitment to corporate responsibility is integrated throughout the value chain. This means that aside from taking responsibility for the aspects that are under the company's direct control, Cloetta also takes a certain responsibility for indirect aspects outside of its direct control, i.e. from raw material supplier to the recyclability of the product packages.

Cloetta's sustainability commitment

Cloetta has defined three central areas for sustainability work that provide guidance in its sustainability commitment; greater well-being among the employees and consumers, reduced environmental impact from the operations and the implementation of sustainable sourcing in the supplier chain.

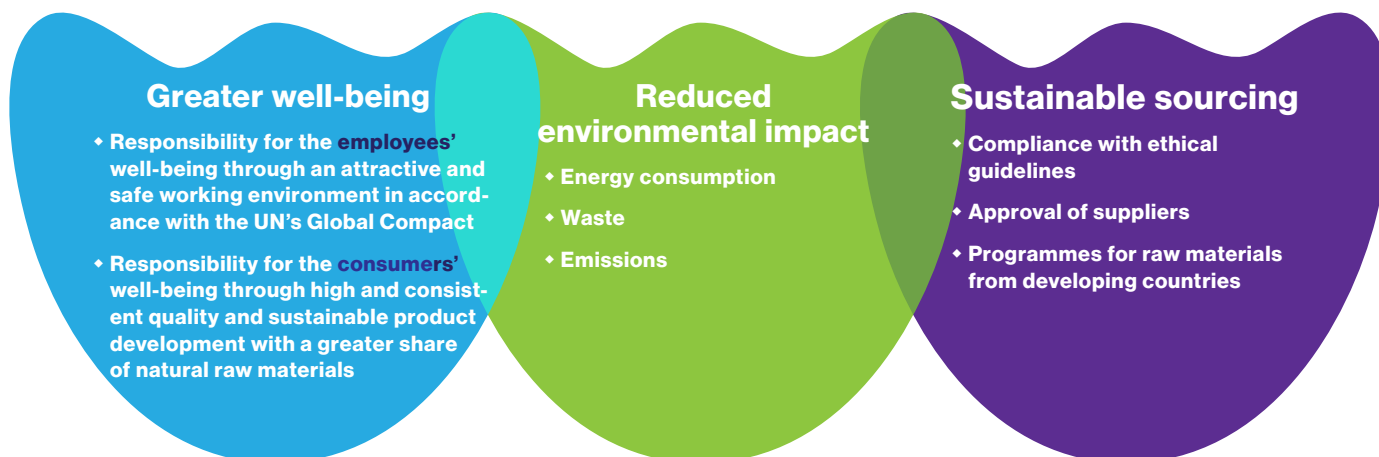
All prioritised issues related to Cloetta's sustainability work are encompassed in these three areas.

Greater well-being

Employees

Cloetta is driven by a conviction that value is created by the employees, and that the ability to attract, retain and develop the best and most competent

Cloetta's sustainability commitment



people is crucial for the company's success. It is also of the utmost importance that the safety of our employees is continuously improved. All of Cloetta's factories adhere to the same mantra: "Safety first".

Consumers

Cloetta's responsibility for consumer well-being includes high and consistent quality, correct and detailed content labelling and responsible marketing. Cloetta also strives to take responsibility for the consumers' well-being through an increased number of natural products – that are "better-for-you".

Reduced environmental impact

Systematic environmental management provides a foundation for Cloetta's efforts to minimise its environmental impact. Cloetta's environmental work is governed by the Code of Conduct, which states that the applicable laws and regulations shall be followed, that Cloetta's environmental impact shall be minimised and that continuous improvements shall be made in the environmental area.

Implement sustainable sourcing

By incorporating sustainability aspects into the company's purchasing strategy, Cloetta creates a platform for ensuring the supply of high quality raw materials to the factories while at the same time improving the opportunities for growers in the countries of origin to develop sustainable farming. Read more on page 45.

Sustainability and Cloetta's overall strategies

Cloetta's sustainability commitment supports and is firmly grounded in the company's overall strategies.



Focus on margin expansion and volume growth

By creating sustainability programmes for the prioritised raw material groups and communicating these programmes on Cloetta's packages, the brands are further strengthened among customers and consumers. UTZ-certified cocoa and palm oil certified according to the RSPO's principles are two such examples.

Focus on cost-efficiency

Efforts to continuously reduce the company's environmental impact go hand in hand with lower costs. Decreased energy consumption and a lower volume of waste from the factories contribute to greater cost-efficiency.

Focus on employee development

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

Organisation for sustainability work

Cloetta's sustainability work is overseen by the Director Corporate Responsibility, who functions as a spokesman for issues related to corporate responsibility and is responsible for identifying prioritised areas, acting as the stakeholders' link to the management and supporting the implementation of Cloetta's corporate responsibility strategy. Environmental and occupational health and safety managers are found at all of the factories.

Cloetta supports

Cloetta is involved in various projects primarily in its local markets but also takes part in projects at the global level. These can include environmental projects that are driven within the framework of Cloetta's environmental work and projects to promote an active and healthy lifestyle.

Community engagement

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

Cloetta's Code of Conduct

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

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

From raw material to cherished brands

Cloetta works with responsibility throughout the supply chain, from raw material to finished product. Cloetta supports the relevant ILO conventions and complies with the laws and rules in the countries where it conducts operations. The same requirements are placed on

the suppliers, and in order to become an approved supplier to Cloetta, the supplier must undergo an approval process and accept Cloetta's general supplier requirements.

Cloetta – every day

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

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

Cloetta's commitment to product content

When it comes to product content and quality,

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

Cloetta's environmental impact

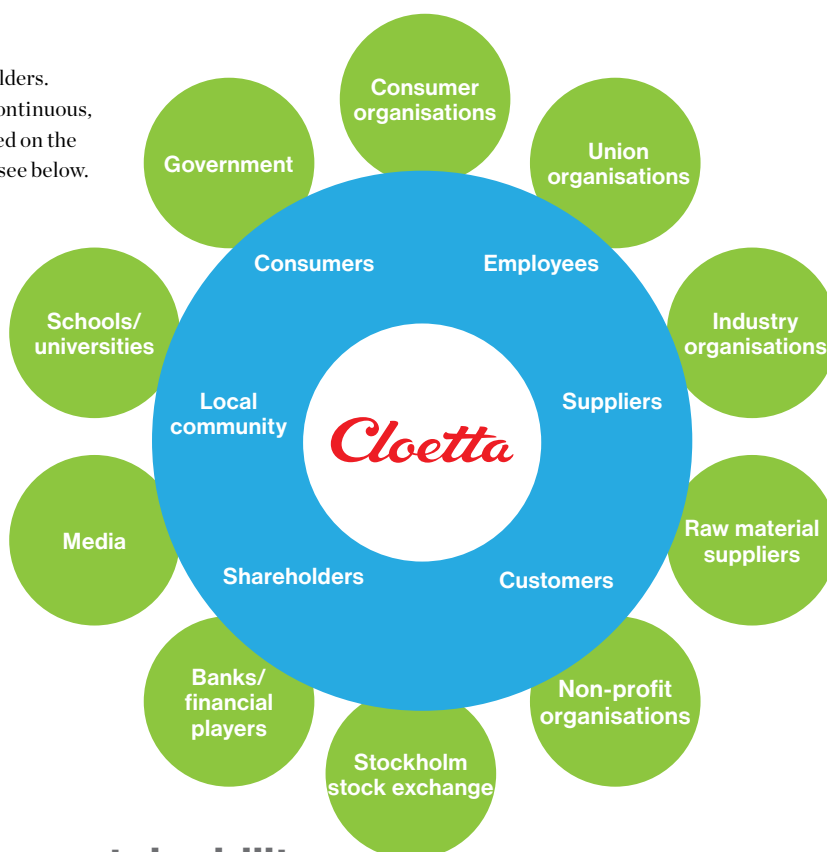
Systematic environmental management provides a foundation for Cloetta's efforts to minimise its environmental impact.

Cloetta's environmental work is aimed at complying with the applicable laws and rules, engaging the employees and focusing on continuous improvements in the environmental area. Cloetta's foremost environmental impact arises through water and energy consumption, wastewater emissions, waste and transports.

Cloetta's stakeholders

Cloetta's primary stakeholders are customers, consumers, employees, shareholders, investors, business partners/suppliers and the local community. These groups are directly critical for Cloetta's long-term survival.

In addition, there are a number of other important stakeholders. These are shown in the illustration at right. Cloetta has a continuous, open dialogue above all with the primary stakeholders based on the expectations and requirements of each stakeholder group, see below.



Key stakeholder issues for sustainability

Stakeholders	Key issues – sustainability	Communication and cooperation
Customers/consumers	<ul style="list-style-type: none"> Product safety and quality. The Group's brands. Clear declarations of ingredients. Eco-friendly packages. Cloetta takes responsibility for the environment and working conditions as far as possible. Ethics in general. Effective transports to the retail trade. 	<ul style="list-style-type: none"> With consumers through various surveys and via the websites and social media. With customers through personal customer and sales meetings and via customer surveys, but also collaborative initiatives for eco-friendly transports.
Employees	<ul style="list-style-type: none"> A good and stimulating working situation. A safe working environment. Health and fitness activities. Ethical issues in general. Good financial development for the company. 	<ul style="list-style-type: none"> Daily meetings to discuss occupational health and safety in the factories. Annual performance reviews with all employees. Systematic skills development activities. Up-to-date information via managers, the Intranet and union representatives. The survey Great Place to Work every other year.
Shareholders and investors	<ul style="list-style-type: none"> Sustainable long-term financial value growth. Ethical issues in general. 	<ul style="list-style-type: none"> Annual report, website, analyst and investor meetings, interim reports and the annual general meeting.
Suppliers and other business partners	<ul style="list-style-type: none"> Ethics and business codes in procurement. Product safety. Sustainable long-term development. Support of human rights among raw material producers. 	<ul style="list-style-type: none"> Collaborative projects for sustainability. Supplier evaluations, sponsorship evaluations and development projects.
The public/society	<ul style="list-style-type: none"> Cloetta takes responsibility for the environment and working conditions as far as possible. Laws, regulations and standards. Cloetta makes a positive contribution to development of society, including the local environment. 	<ul style="list-style-type: none"> The local communities/municipalities around Cloetta's factories with regard to the local environment. Public authorities in areas related to occupational health and safety, environmental and product responsibility, schools and universities. Certification bodies for ISO and BRC. Key opinion leaders.



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

World Cocoa Foundation (WCF)

- ♦ The World Cocoa Foundation (WCF) manages a range of programmes aimed at increasing the cocoa farmers' incomes and promoting sustainable cultivation. Examples of initiatives include teacher training programmes, training in cocoa processing, micro loans for cocoa growers and health-related issues.

Caobisco

- ♦ Caobisco (Chocolate, Biscuit & Confectionery Industries of the EU) supports International Cocoa Initiatives, for example through the development of control and certification systems for cocoa production.

Round Table on Sustainable Palm Oil

- ♦ The Round Table on Sustainable Palm Oil (RSPO) is committed to promoting the growth and use of sustainable palm oil worldwide.

UN Global Compact

- ♦ The UN's Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour environment and anti-corruption.

UTZ

- ♦ UTZ Certified stands for sustainable farming and better opportunities for farmers, their families and our planet. The UTZ programme enables farmers to learn better farming methods and to improve their working conditions and the environment.

Industry organisations

- ♦ AIDI (Italian Confectionery Industry).
- ♦ Bord Bia, Irish Food Board, (Irish industry association).
- ♦ Chokofa is a Swedish industry association.
- ♦ Choprabisco, Belgium.
- ♦ DI (Danish Chocolate and Confectionery Industries).
- ♦ ETL (Finnish Food Industries' Federation).
- ♦ FFNLI (The Dutch Food Industry Federation).
- ♦ HSH (The Federation of Norwegian Commercial and Service Enterprises).
- ♦ IBC (Italian Branded Products Industry).
- ♦ ISA (International Sweeteners Association), Italy.
- ♦ VBZ (Association of the Dutch Bakery and Confectionery Industry), the Netherlands.

Production and purchasing

At year-end Cloetta had 11 factories in Sweden, Italy, the Netherlands, Belgium, Slovakia and Ireland. All in all, Cloetta produced 99,500 tonnes of confectionery in 2014.

Cloetta's supply chain is responsible for production, purchasing, planning, logistics, quality, technology and safety. During the year, the top priority has been on completing the decided factory restructurings, integrating the new factories in Helsingborg, Sweden and Dublin, Ireland into the network and a constant striving for continuous improvements through Lean and Value Engineering.

Production rationalisations

The merger between Cloetta and LEAF, combined with excess capacity in the production structure, created opportunities to rationalise production. In 2012 Cloetta decided to close the factories in Alingsås and Gävle, Sweden, and Aura, Finland. The closure of the Alingsås factory was completed during 2012.

The factory in Aura was closed in the first quarter of 2013 and the factory in Gävle terminated production at the end of December 2013. This production has been moved primarily to Ljungsbro, Sweden, and Levice, Slovakia, which reached full-scale production during 2014. In addition, manufacturing of a number of products has been moved from a third party to Cloetta's own factories during the year, of which the most important was Tupla for the Finnish market, which was insourced from the third-party supplier, Natra, to a new line in Ljungsbro. With this move, the Manufacturing restructuring programme that was announced in 2012 was concluded according to plan.

Moving a production line is a complex process that requires extensive documentation, careful planning, knowledge transfer, technical adaptations and fine-tuning. Added to this is often a physical relocation of machinery.

Management systems

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

The management systems cover occupational health and safety, quality, product safety and the environment. The management systems are based on international standards (BRC Global Standard for Food Safety, ISO 14001 and OHSAS

18001), recurring risk assessments and continuous improvements.

One important part of this working method is a systematised meeting structure for monitoring of results against targets, to detect both positive and negative deviations. Goals and results are visualised for example on displays in the facilities to provide knowledge about the current situation, which contributes to creating awareness and engagement among the employees. Action can be taken immediately in the event of deviations and systematic follow-up creates scope for proactive improvements.

Read more about Cloetta's environmental work on pages 48–49.

Occupational safety

Employee safety is fundamental and is the top priority in every production facility. Continuous risk assessments and increased reporting of accidents and injuries contribute to greater knowledge about the causes of accidents in the workplace, which leads to making preventative measures an integral part of day-to-day operations and minimises the risk for accidents. The key elements of these activities are discussions and workshops in the various workplaces to promote safety awareness and influence behaviour.

These systematic efforts have made it possible to reduce the number of injuries at work in recent years. In 2014 the number increased further to 18 from 12 in 2013 (measured as the number of days between occupational accidents with >1 day of sickness absence). Read more in the section on a good and safe working environment on page 51.

Quality and product safety

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

Continuous efforts are made to ensure that the products meet the requirements and expectations of consumers and retailers. For each product there is a quality specification describing the required flavour, aroma, appearance, consistency and package. No azo food colourings are used in Cloetta's products.

Cloetta's factories are certified according to the BRC Global Standard for Food Safety and/or



ISO 9001. BRC is a standard for assurance of product safety and quality, and is one of the cornerstones of Cloetta's quality management. The goal is for all of Cloetta's factories to obtain BRC certification. The four Italian factories, which have previously chosen ISO 9001, started the implementation of BRC during 2012. The first three factories have now been certified and the fourth is planned for certification during 2015.

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

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

Planning and logistics

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

supplier to production and final customer. The system also integrates financial planning and prices.

Cloetta works continuously to optimise its flows and working methods, both internally and externally, together with customers and suppliers.

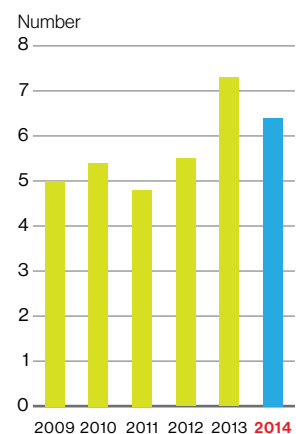
Purchasing

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

Raw materials are purchased only from suppliers that can be verified against Cloetta's quality, product, safety and environmental requirements. All suppliers to Cloetta are evaluated and approved before they are permitted to deliver raw materials to the factories. The process varies depending on the type of supplier and the type of material delivered. Certain suppliers are physically audited at regular intervals by Cloetta's employees. Cloetta collaborates closely with its largest raw material suppliers, among other things through automated order and delivery processes that are adapted to raw material consumption in each factory.

Cloetta's range includes products that are produced by other manufacturers. The bulk of contract manufacturing in 2014 was used for chocolate and for specific packaging solutions. External production is outsourced only to manufacturers following approval by Cloetta, according to the same high quality standards that apply to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

Complaints, feedback/
millions of consumer units sold



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

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



Consumer and customer feedback

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

The affected factory then uses the information provided by the return/complaint to systematically find the causes of any defects and thereby eliminate them.

Lean 2020

Cloetta works constantly to decrease costs and reduce waste. Key success factors in the production process include long-term and day-to-day efforts to achieve continuous improvements and a

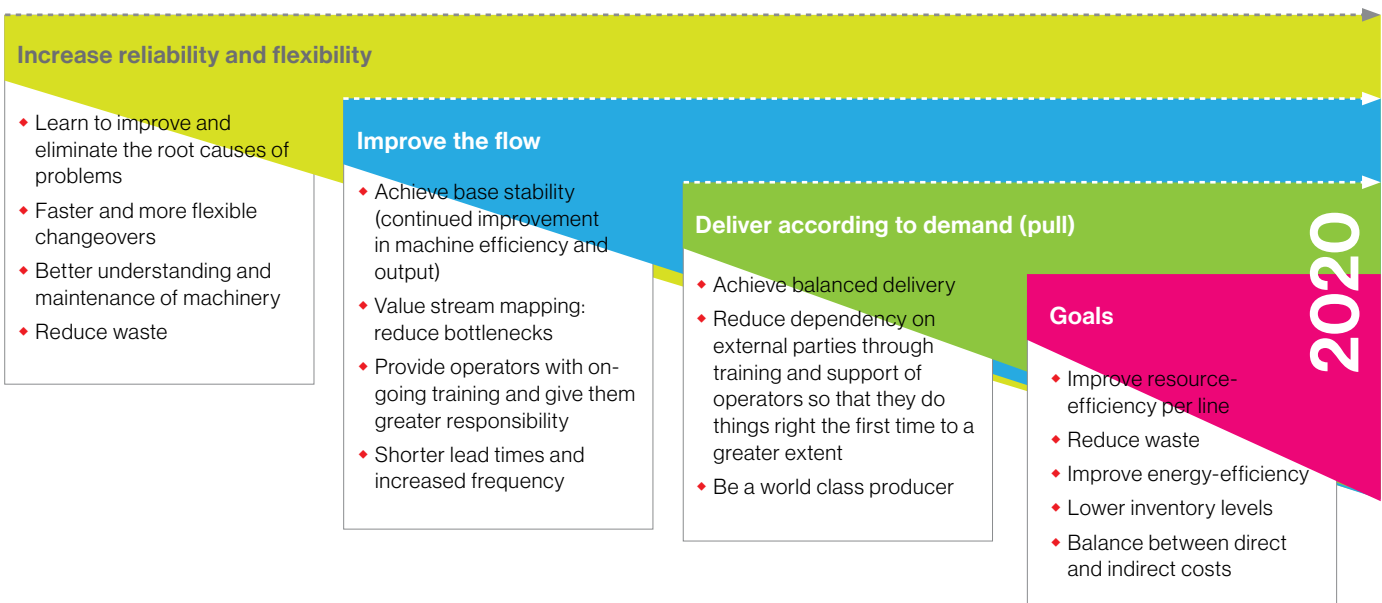
learning-driven culture. This is conducted through systematic work on lean processes and Value Engineering. Now that the Manufacturing restructuring programme has been completed, greater attention can be focused on continuous improvement.

In 2013 the production strategy was shaped into a long-term vision – “Lean 2020”. This vision is based on benchmarking of world class production. To clarify this ambition, five targets have been set for areas such as machine efficiency, energy consumption and reduction of inventories. The targets will be met through lean processes and tools. In 2014 the programme was further developed through the formulation of roadmaps to achievement of these targets and by developing the organisation that will deliver the results.

The eight principles of Lean

1. Have a long-term, sustainable customer focus that is shared by all employees.
2. Maintain a continuously even process flow from raw material to customer delivery, with the lowest possible inventories and waiting times.
3. Have standardised processes to maximise safety and quality and to create opportunities for continuous improvement.
4. Encourage people to do things right the first time, i.e. have a culture where the individual operator immediately stops a machine or process that is not working correctly in order to find the root cause of problems.
5. Have operators and teams that understand the processes and the company’s values, grow in their jobs and teach others.
6. Have a culture in which each individual identifies how problems arise and improvements can be made. Decisions shall be based on observations.
7. Develop a teaching and empowering organisation and utilise reflections and follow-up to optimise operations.
8. Make fact- and team-based decisions after weighing different possibilities, but implement decisions quickly. Focus on discussing how, not whether, to improve.

Roadmap to Lean 2020



Success factors for production

Cloetta ensures long-term profitability through continuous improvements.



Engaged employees

Good communication about strategies, goals, etc., creates engaged employees who understand the business and how their work contributes to the Group's total results.



Safety

A safe working environment is a fundamental right for each employee.



Delivery reliability

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



High and even quality

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



Flexibility

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

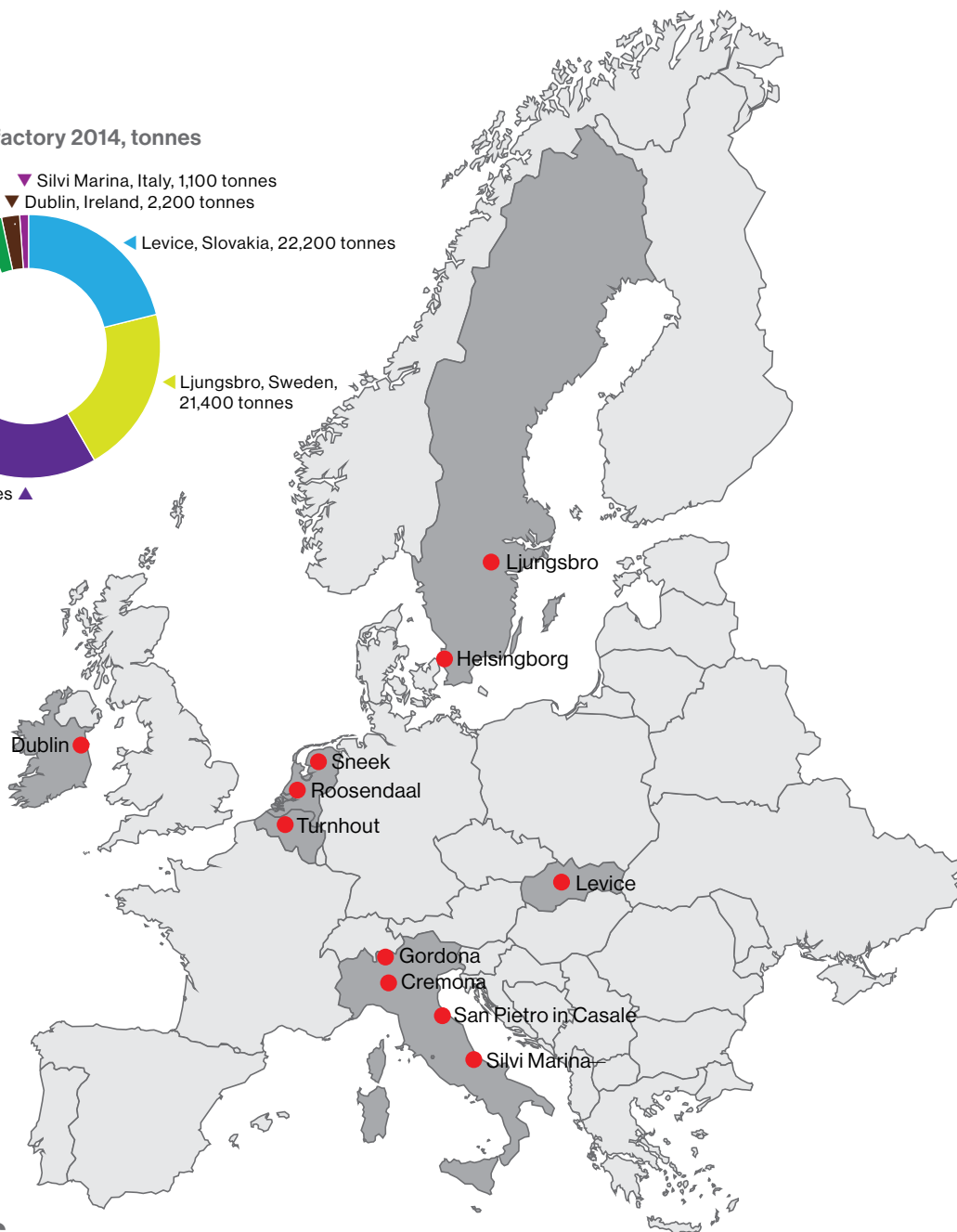
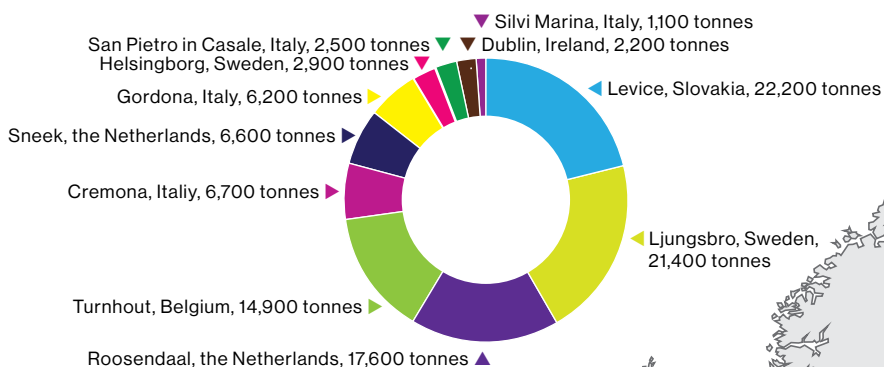


Cost-efficiency

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

Factories

Production by factory 2014, tonnes



Overview of factories



Levice, Slovakia

Production volume in 2014: 22,200 tonnes

Number of plant employees: Approx. 665

Number of machine lines: 10 production lines, 31 packaging lines
Largest brands: Malaco, Red Band, Läkerol, Chewits, Venco, Läkerol Dents, Mynthon

Manufacturing methods: Starch moulding, extrusion, coating, hard-boiled candy, soft boiled candy and chewy toffee manufacturing

Certifications: BRC Global Standard for Food Safety



Ljungsbro, Sweden

Production volume in 2014: 21,400 tonnes

Number of plant employees: Approx. 315

Number of machine lines: 12 production lines with online packaging, 3 packaging lines, 1 chocolate production centre
Largest brands: Kexchoklad, Ahlgrens bilar, Center, Polly, Plopp, Sport-lunch, Juleskum

Manufacturing methods: Chocolate production and moulding, starch moulding, coating and wafer production

Certifications: BRC Global Standard for Food Safety and ISO 14001



Roosendaal, the Netherlands

Production volume in 2014: 17,600 tonnes

Number of plant employees: Approx. 160

Number of machine lines: 5 production lines, 9 packaging lines
Largest brands: Red Band, Malaco, Venco, Lakrisal

Manufacturing methods: Starch moulding, coating and compression of pastilles

Certifications: BRC Global Standard for Food Safety



Turnhout, Belgium

Production volume in 2014: 14,900 tonnes

Number of plant employees: Approx. 120

Number of machine lines: 2 production lines, 4 packaging lines

Largest brands: Malaco, Red Band

Manufacturing methods: Starch moulding

Certifications: BRC Global Standard for Food Safety



Cremona, Italy

Production volume in 2014: 6,700 tonnes

Number of plant employees: Approx. 110

Number of machine lines: 8 production lines, 23 packaging lines

Largest brands: Sperlari, Galatine, Extra Starka, Läkerol

Manufacturing methods: Hard boiled candy manufacturing, compression of milk candies and nougat production

Certifications: ISO 9001, ISO 14001 and OHSAS 18001



Sneek, the Netherlands

Production volume in 2014: 6,600 tonnes

Number of plant employees: Approx. 100

Number of machine lines: 5 production lines, 19 packaging lines

Largest brands: Sportlife, XyliFresh, King, Jenkki

Manufacturing methods: Rolling and scoring of chewing gum, coating of chewing gum, manufacturing of hard boiled candy manufacturing and lozenges

Certifications: BRC Global Standard for Food Safety and ISO 14001



Gordona, Italy

Production volume in 2014: 6,200 tonnes

Number of plant employees: Approx. 80

Number of machine lines: 3 production lines, 6 packaging lines

Largest brands: Sperlari, Red Band, Kick, AKO, Hopea Toffee

Manufacturing methods: Starch moulding and toffee manufacturing

Certifications: BRC Global Standard for Food Safety, ISO 9001, ISO 14001 and OHSAS 18001



Helsingborg, Sweden

Production volume in 2014: 2,900 tonnes

Number of plant employees: Approx. 45

Number of machine lines: 6 production lines, 5 packaging lines

Largest brands: Nutisal

Manufacturing methods: Dry roasting, frying, coating of nuts

Certifications: BRC Global Standard for Food Safety



San Pietro in Casale, Italy

Production volume in 2014: 2,500 tonnes

Number of plant employees: Approx. 90

Number of machine lines: 4 production lines, 10 packaging lines

Largest brands: Dietor, Dietorelle, Läkerol, Fruttil, Sisu

Manufacturing methods: Manufacturing of sweetener and starch moulding

Certifications: BRC Global Standard for Food Safety, IFS Food Standard Version 6, ISO 14001 and OHSAS 18001



Dublin, Ireland

Production volume in 2014: 2,200 tonnes

Number of plant employees: Approx. 70

Number of machine lines: 1 production line, 10 packaging lines

Largest brands: The Jelly Bean Factory

Manufacturing methods: Starch moulding and coating

Certifications: BRC Global Standard for Food Safety



Silvi Marina, Italy

Production volume in 2014: 1,100 tonnes

Number of plant employees: Approx. 50

Number of machine lines: 4 production lines, 10 packaging lines

Largest brands: Saila, Läkerol

Manufacturing methods: Coating and compression of pastilles, liquorice production

Certifications: BRC Global Standard for Food Safety, ISO 9001, ISO 14001 and OHSAS 18001

Raw material costs

Raw materials and packaging account for around 60 per cent of total production costs. In terms of value, the most significant raw materials are sugar, glucose syrup, polyols, cocoa, milk powder, and packaging. In 2014, the purchasing prices for raw materials decreased somewhat for many of Cloetta's commodities, except for cocoa and nuts. Overall, the total cost for Cloetta remained largely unchanged.

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

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

Agricultural policy

The prices of most of Cloetta's raw materials are affected by agro-political decisions regarding subsidies, trade barriers, etc. The EU's new agricultural policy reform, which was passed in 2013, will among other things end the current system of sugar quotas with effect from 2017.

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

Suppliers

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

All suppliers to Cloetta are evaluated and approved before they are permitted to deliver to the factories. Read more on page 45.

Cost trend

Sugar

In recent years the sugar price has reached record levels. The EU consumes some 16 million tonnes of sugar annually, but produces only around 13 million tonnes that are permitted for use in manufacturing of food products. The deficit is an effect of the partial deregulation and quota system that have applied in the EU. At the same time that there is a shortage of sugar in Europe, imported sugar has been levied with

customs duties that have pushed up sugar prices in the EU to a level higher than the global market price in recent years. In 2014, EU intervention and the increased attractiveness of sugar imports have led to lower prices.

Cocoa

The price of cocoa has once again risen in the past year. The cocoa price is often subject to sharp fluctuations that are partly explained by the fact that the cocoa exchange is comparatively small and therefore of interest for speculation. The cocoa price is naturally also dependent on the level of supply, i.e. the harvest and trends in demand. Furthermore, the cocoa bean price has been affected by a long-term deficit perspective, the Ebola threat and El Niño risk in Côte d'Ivoire, from which most of Europe's cocoa is sourced.

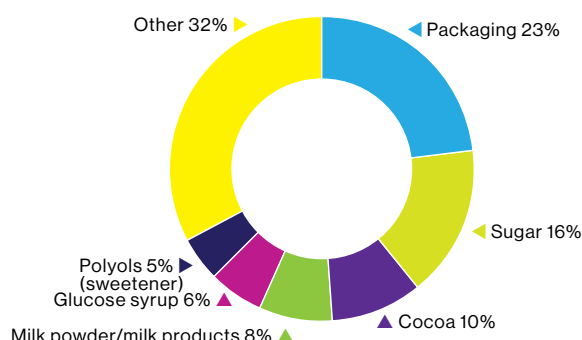
Other raw materials and packaging

The price of wheat and corn has a powerful influence on the price of glucose syrup. The good harvest in 2014 has decreased glucose prices. The price of polyols (sweetener) is less affected by grain prices and has therefore not fallen. The cost of nuts, particularly hazelnuts and almonds, has risen significantly, mainly as a result of poor harvests.

Purchasing costs for packaging materials have been stable.



Breakdown of raw material and packaging costs



Sustainable sourcing

Sustainable sourcing in Cloetta's supply chain is a prioritised area. By incorporating sustainability aspects into the company's purchasing strategy, Cloetta creates a platform for ensuring the supply of high quality raw materials to the factories while at the same time improving the opportunities for growers in the countries of origin to develop sustainable farming.

First of all, sustainable sourcing at Cloetta is about having control one step back in the supply chain, i.e. to the first line of suppliers. Raw materials are purchased only from suppliers that can be verified against Cloetta's requirements for quality, product safety and sustainability. All suppliers to Cloetta are evaluated and approved before they are permitted to deliver to the factories. The process varies in relation to the risks, type of supplier involved and which raw material is delivered. Certain suppliers are evaluated and tested by Cloetta's employees via physical visits according to an established schedule.

Secondly, sustainable sourcing at Cloetta is about directly addressing different types of social, environmental and economic challenges that are found in the value chain beyond first line suppliers of specific raw material groups. Cloetta's sustainable sourcing programme is based on external certifications and/or verification according to the guidelines defined in Cloetta's Code of Conduct.

In 2014 Cloetta evaluated all raw material groups and prioritised them based on the existing sustainability challenges and Cloetta's opportunities to address these challenges.

Evaluation methodology

In prioritising Cloetta's raw materials portfolio, the following aspects have been taken into account:

- What are the sustainability challenges for each raw material
- What types of sustainability initiatives have been defined
- Is this a strategic raw material for Cloetta
- How large are the volumes purchased by Cloetta
- Can Cloetta create and manage sustainability projects independently
- What are the delivery and quality risks

Cloetta buys sustainable cocoa

In 2014 Cloetta changed over to sustainable cocoa from UTZ-certified farmers. This means that all cocoa and chocolate that is delivered to Cloetta's factories are UTZ-certified. For Cloetta it is vital to address the challenges facing the cocoa growers in West Africa. By switching to sustainable cocoa from UTZ-certified farmers, Cloetta creates a platform for ensuring a supply of high quality cocoa to the factories while providing better prospects



for the West African cocoa growers to develop sustainable farming.

Sourcing of cocoa

West Africa accounts for around 70 per cent of the total global harvest of cocoa beans. There cocoa is cultivated by three million small growers, where each farm consists of an average of 2–4 hectares of land and produces an average of 1–2 tonnes of cocoa beans per year. Local intermediaries then distribute the raw materials to the international cocoa wholesalers and exporters, after which the cocoa is sent to Europe. Every year, Cloetta buys approximately 2,700 tonnes of cocoa in the form of cocoa liquor, cocoa butter and cocoa powder from suppliers in Europe.

Low productivity for cocoa farmers

The West African cocoa farmers face a number of economic, social and environmental challenges, of which low productivity on the farms is one of the most critical. Limited knowledge about how to cultivate high quality cocoa in an efficient manner is a fundamental cause behind the farmers' productivity problems. The farmers are also struggling with aging cocoa trees and reduced soil fertility at the same time that they often lack the means to finance investments in new plants, fertilisers, etc.



UTZ-certified cocoa – for a better future

With UTZ-certified cocoa, the growers are assisted in building a better future with sustainable farming practices. Through the UTZ programme, they are provided with training in better farming methods, improved working conditions and sustainable growing. The farmers are also given support to buy better plants. All in all, this generates more income and creates better prospects for the individual farmers while better safeguarding the environment.

To earn UTZ certification the farmer must meet strict requirements, which are closely monitored by an independent third party. These requirements include better farming methods and farm management, safe and healthy working conditions, the abolishment of child labour and protection of the environment.

Read more about UTZ certification at www.utzcertified.org.

Palm oil

From a sustainability perspective, there are a number of problems surrounding cultivation and production of palm oil and palm kernel oil. As a result, in April 2014 Cloetta adopted a new palm oil policy that is aimed at preventing destruction of rainforest in the countries of origin and increasing the traceability of the palm oil that Cloetta uses indirectly.

Palm oil is a high-yield crop that is one of the most traded vegetable oils in the world. Malaysia and Indonesia account for around 90 per cent of total global palm oil production, and

if cultivated in a sustainable manner it can be an important source of income and economic development in these countries. However, there are a number of environmental and social challenges associated with production of palm oil, such as deforestation in environmentally sensitive areas, which has a negative impact on the entire ecosystem.

Due to the urgency of combating the long-term negative effects of palm oil production, Cloetta has decided to formulate a sustainable plan that contributes to preserving the rainforests for future generations. Consequently, in its palm oil policy Cloetta declares a commitment to zero deforestation by implementing new ways of working with its suppliers of oils and fats containing palm oil.

Some of Cloetta's products contain small amounts of palm oil. However, Cloetta does not buy pure palm oil but only oils and fats that contain derivatives of palm oil to a varying extent. In total, Cloetta uses less than 0.003 per cent of global palm oil production.

All palm oil (part of the content in an oil or fat) that is purchased by Cloetta is covered by GreenPalm certificates in accordance with the Roundtable on Sustainable Palm Oil (RSPO). This means that for each tonne of palm oil that is used in production, Cloetta pays a premium to palm oil producers that work according to the RSPO standard. Today, RSPO is the most widely supported method for achieving sustainable palm oil production. However, Cloetta has decided that this standard is not enough and will

therefore expand and strengthen its collaboration with the RSPO, particularly with regard to conserving the rainforests.

Cloetta's palm oil policy

Cloetta's palm oil policy goes beyond that which is required in the RSPO standard and states that by the end of 2015, Cloetta's suppliers must have a fully traceable pipeline back to known mills. By 2020 the same pipeline must be traceable down to known plantations.

In addition, Cloetta will only buy oils and fats from suppliers that can verify that the palm oil plantations comply with local laws in the countries of origin and guarantee that production is carried out in a sustainable manner and according to Cloetta's policy. No later than in 2017, Cloetta's suppliers must be able to verify that the plantations are run sustainably in compliance with Cloetta's policy. Furthermore, Cloetta will not permit palm oil extraction in primary forest, peatlands, areas with protected forest or areas where slash and burn farming is used in plantation operation.

Compliance with the policy

In 2014 a process to monitor compliance with Cloetta's policy was defined. So far, 82 per cent of all of the palm oil purchased by Cloetta has been audited according to the new policy and these volumes meet Cloetta's requirement for Cloetta's suppliers to have a fully traceable pipeline back to known mills by the end of 2015. The remaining 18 per cent will be audited during 2015.

Goals for sustainable sourcing

Goal 2020

Responsibility for raw material producers

- ◆ Sustainability programmes implemented for all prioritised raw materials by 2020.
- ◆ By the end of 2015, Cloetta's suppliers of oils and fats must have a fully traceable pipeline of palm oil fractions back to known mills. By the end of 2020, the same pipeline will be traceable back to known plantations.
- ◆ 100 per cent of the cocoa and chocolate purchased by Cloetta will be UTZ-certified.

Outcome 2014

Responsibility for raw material producers

- ◆ A method for evaluating sustainability challenges for Cloetta's raw materials was developed.
- ◆ The process for monitoring compliance with Cloetta's palm oil policy was defined.
- ◆ 82 per cent of the palm oil indirectly purchased by Cloetta has been verified against Cloetta's policy (goal for 2015).
- ◆ At the end of 2014, all cocoa and chocolate purchased by Cloetta was UTZ-certified.

5 questions for Nick

Kouassi N'Guessan Nick is a cocoa farmer in Côte d'Ivoire and is participating in the UTZ programme, which Cloetta has chosen to take part in.

“Aside from my work,
I love football!”



Kouassi N'Guessan Nick lives about 12 km from Daloa in Côte d'Ivoire, where he works with his brother on the family's cocoa plantation of around 4 hectares. Through the profits from cocoa farming he has made two fish ponds. The next goal is to build a chicken farm, if business is good. Nick also organises football tournaments and his favourite team is Chelsea.

Does everyone in your family work with cocoa?

In my family we have always had cocoa trees – my father was a cocoa farmer, and his father before him. But not everyone in my family is in cocoa. Through the profits we have made, two of my brothers have been able to carry on their education after school.

What kind of changes have you seen since joining the UTZ programme?

Many! Our farm produces more: we harvested 1.2 tonnes in 2011-2012 and were able to increase this to 1.825 tonnes in 2013-2014. In this way the UTZ programme has enabled me to build my house. And it also means that we can afford gas for cooking. The increase in production is because of what I have learned at training and in the field schools. I have always kept the plantation clean and tidy, but now I have also learned that we must cut the shoots, cut off dead branches and rid the area of any diseased pods for the field to produce well.

My trees date from 1998. As those trees stop producing, I am successively replacing them with the CNRA variety, which is more productive. Before joining the programme, I did not know about the different varieties.

And of course the first positive result of the programme is the premium.

How could things be improved for cocoa farmers in Côte d'Ivoire?

I think it is very important that small producer groups are helped to increase their income in many ways, not only through cocoa but also for example through market gardening. To do this, it would help farmers if they had more access to inputs like fertilisers.

How could things be better for you?

I would help me a lot if the road was improved leading to our farm, so that we could take cocoa to the cooperative more easily.

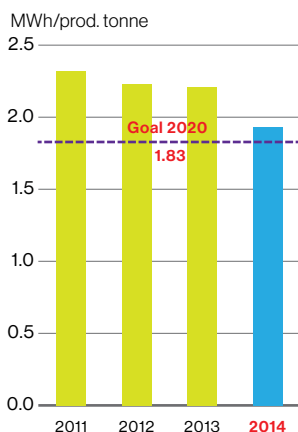
What does the future hold?

If I make a little more money, I plan to install a solar panel to provide light and watch television to follow the news.

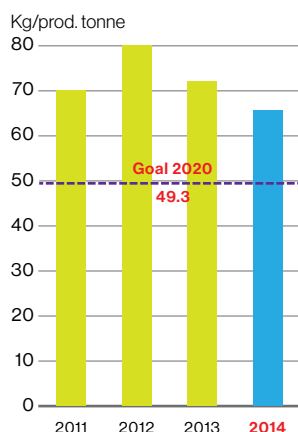
Lower environmental impact

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

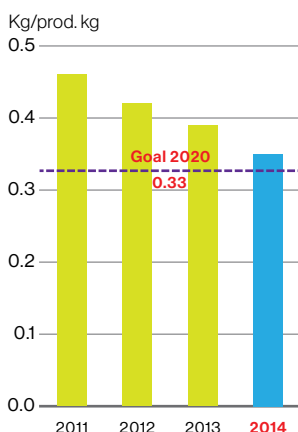
Energy consumption



Waste



CO₂ emissions



CO₂ equivalents linked to the Group's use of different energy types. Transports are excluded.

Cloetta works to reduce its environmental impact through systematic environmental management.

Environmental work

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

Systematic environmental work

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Six of the eleven factories are certified according to the ISO 14001 standard.

In 2015 all production units that already had ISO14001 certification will be added to Cloetta's multi-site certificate. The four factories that are not yet certified will be added to Cloetta's multi-site certificate at a rate of one factory per year.

Central environmental management system

To ensure the use of a structured and systematic approach to Cloetta's environmental issues, a decision was made in 2014 to implement a central environmental management system encompassing the entire Group.

The goal is to develop and integrate the environmental management system together with Cloetta's central ERP system. A fully integrated methodology creates better potential to live up to the Code of Conduct and deliver results in line with Cloetta's production policy.

Environmental goals 2020

Continuous reduction of the company's environmental impact is a central component of Cloetta's sustainability management. One important part of this work is the formulation of long-term goals and action programmes with clearly defined roles and responsibilities in order to meet the targets. For this purpose, Cloetta has defined three long-term environmental goals that extend until 2020:

- ◆ Have reduced energy consumption in relation to the produced volume by 5 per cent.
- ◆ Have reduced CO₂ emissions (from used energy types) in relation to the produced volume by 5 per cent.
- ◆ Have reduced the volume of waste in relation to the produced volume by 25 per cent.

The base year for the above-mentioned reduction targets is 2014.

Working methods

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

Environmental impact and priorities

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

The priorities for Cloetta's environmental work have been set based on how the direct operations impact the environment, the extent of this impact,

Key environmental performance indicators

	2011	2012	2013	2014
Total energy consumption, GWh	226	215	219	202
Energy consumption per produced tonne, MWh	2.32	2.23	2.21	1.93
CO ₂ per produced kilo, kg	0.46	0.42	0.39	0.35
Wastewater per produced tonne, m ³	4.4	5.0	4.0	2.9
COD* per produced tonne, kg	22.6	28.1	26.7	16.6
Waste per produced tonne, kg	70	80	72	66
Recycled waste, %	64	49	71	80

Figures excluding Helsingborg and Dublin. * See next page.

Origin Green

The Jelly Bean Factory, which was acquired by Cloetta in 2014, is based in Dublin, Ireland. The industry association Bord Bia, the Irish Food Board, has developed a sustainability programme for Irish food and beverage producers, both large and small – Origin Green – in which The Jelly Bean Factory is a member. The programme members cover the entire food chain from individual farmers to large industrial companies as well as national agencies such as the Irish Food Board.

Via Origin Green, the members collaborate in the initiative through action plans in a number of areas such as sourcing of raw materials, environmental issues in the manufacturing process and social sustainability, including employee well-being, community initiatives and responsibility for health and nutrition.



“At The Jelly Bean Factory we are committed to striving for sustainable development, and being a member of Origin Green is therefore an important cornerstone for our business.”

Richard Cullen, The Jelly Bean Factory

the probability of unplanned environmental events occurring, the requirements of public authorities and other stakeholders and, finally, the extent to which Cloetta can influence development. The prioritised areas for Cloetta’s environmental work are:

- ♦ Energy consumption
- ♦ Waste volume, type and recycling
- ♦ Carbon reduction

Energy consumption

The Group’s aggregate energy consumption during the financial year was around 202 GWh (219). Approximately 25 per cent of the total energy usage is independent from the production volume, i.e. related to heating and cooling of properties, while 75 per cent is directly linked to production.

Waste management

All of Cloetta’s production units pre-sort their waste. The goal is to continuously develop waste management and reduce the total volume of production-related and other waste. A decrease in raw material waste has a positive impact on both the environment and the Group’s total costs. At present, 79.7 per cent of the waste is recycled.

Emissions

Alongside efforts to reduce energy consumption, Cloetta is also working to choose energy types with the smallest possible negative impact on the environment. For that reason, the total amount of energy used is converted to the amount of CO₂ equivalents generated by the chosen energy types.

Transports

Since 2014 Cloetta calculates CO₂ emissions from transports which Cloetta is responsible for. In 2014 46 kg of CO₂ was released per tonne transported. To reduce both freight costs and CO₂ emissions, Cloetta uses stackable pallets for transports between the factories and finished inventory. Furthermore, Cloetta chooses transporters that have two-level trailers and extra long bodies and that use a combination of road/rail/water transports, when possible. If viable, without jeopardising product quality, refrigerated transports are avoided.

Wastewater

The volume of wastewater was 2.9 m³ (4.0) per produced tonne.

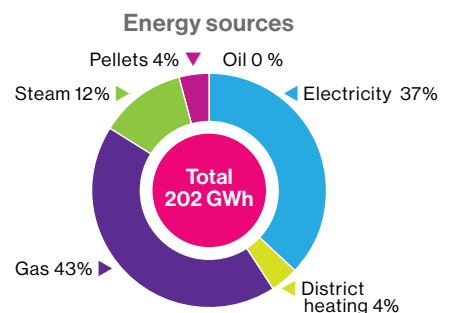
One key environmental target is to improve the wastewater quality. Cloetta rates this quality among other things in terms of COD (Chemical Oxygen Demand), which measures the amount of oxygen consumed in complete chemical decomposition of organic compounds in water. There are several projects underway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

Packaging

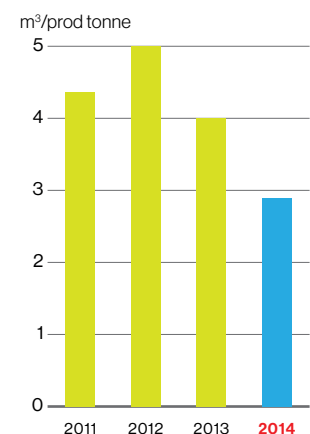
The packaging materials must perform several functions, such as protecting the product on its way to the consumer, enabling easy handling of the product and communicating the brand. The most commonly method for consumer packaging is so-called “flexibles”, a material that can be recycled or incinerated.

Goals for reduced environmental impact

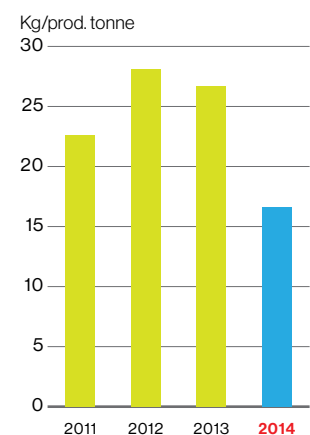
Goal 2020	Outcome 2014
Energy consumption <ul style="list-style-type: none"> ♦ Reduce energy consumption in relation to the produced volume (MWh/tonne) by 5 per cent. 	Energy consumption <ul style="list-style-type: none"> ♦ Energy consumption in relation to the produced volume reduced by 12.7 per cent.
Waste <ul style="list-style-type: none"> ♦ Reduce the volume of waste in relation to the produced volume (kg/tonne) by 25 per cent. 	Waste <ul style="list-style-type: none"> ♦ Waste volume in relation to the produced volume reduced by 8.8 per cent
Carbon dioxide emissions <ul style="list-style-type: none"> ♦ Reduce CO₂ from production in relation to the produced volume (kg/kg) by 5 per cent. 	Carbon dioxide emissions <ul style="list-style-type: none"> ♦ CO₂ in production in relation to the produced volume reduced by 10.3 per cent.



Wastewater



COD*



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

Employees

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

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

Employee survey
– Great Place to Work

To create an attractive workplace for all employees, it is essential that there is a genuine interest in understanding how the employees see their place of work, i.e. what they appreciate and what they find lacking or are simply dissatisfied with.

According to Great Place to Work, the best workplaces are built through day-to-day relationships. From the employees' perspective, a good workplace is one where you:

- ♦ **TRUST** the people you work for
- ♦ Have **PRIDE** in what you do, and
- ♦ **ENJOY** the people you work with.

Cloetta conducted the recurring employee survey "Great Place to Work" at the end of 2013. The response rate was 85 per cent and Cloetta achieved a Trust Index® of 60 per cent. The target for the next survey is to reach 63 per cent.

In 2014 the focus was on analysing the various country/factory and department results in greater detail. The results were discussed and reviewed on an in-depth level in order to understand the underlying factors. In many groups, these activities were tied together with the work previously carried out in connection with the roll-out of Cloetta's shared values. In 2014 many groups formulated "Golden Rules" for the group they worked in, with reference to Cloetta's core values. These "Golden Rules" expanded on the areas for improvement that were identified in the employee survey.

In most of Cloetta's organisations, the main focus areas have been related to improving communication both between the management and employees and between departments.

This means:

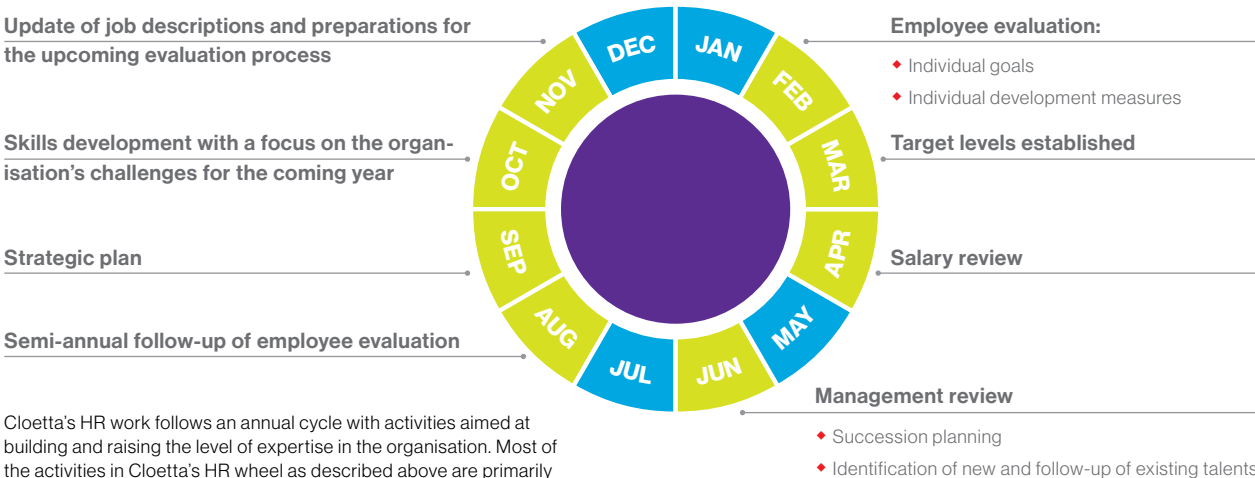
- ♦ Clarifying What
- ♦ Clarifying Why
- ♦ Sharing both mistakes and successes so that everyone can learn from each other.

In order for this to be possible it is vital to trust each other.

The right expertise

Cloetta is committed to continuously renewing and utilising the Group's aggregate expertise. Competent employees that are given scope to realise their full potential create the conditions to maintain

Cloetta's HR wheel



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



Cloetta's position as an attractive and innovative partner not only for the employees but also for the customers, suppliers and business partners. A learning-driven organisation that works in project form and the use of interdisciplinary teamwork in day-to-day activities are important components of Cloetta's skills development. All skills development is designed to support Cloetta's strategies, to be business-oriented and to promote the individual's interests and needs.

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

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

Relationship between the company and the employees

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

Cloetta encourages a good balance between professional and personal life. It is important to help both men and women combine the demands

of their jobs with responsibility for home and family. The Group therefore supports flexible work arrangements like flex-time and part-time hours, when possible.

A good and safe working environment

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

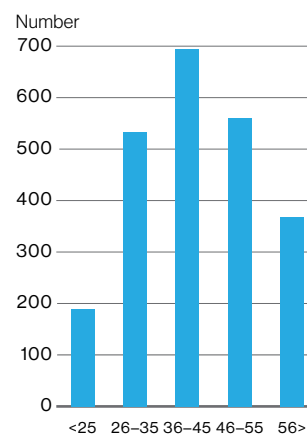
In production, employee safety is always the top priority. All factories carry out continuous risk assessments to minimise the risk for accidents. All incidents and injuries are followed up and reported. The Lean method is used to prevent and reduce production-related occupational injuries. Thanks to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

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

Trust in leadership and in each other

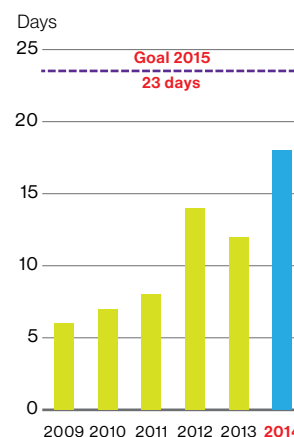
As a leader, it is vital that you dare to trust in both your own leadership and in others. It is also essential to understand each other and why different individuals behave the way they do. In 2014

Age distribution



Occupational accidents

(average days between accidents with >1 day of sickness)



Cloetta has continued to work with attitudes toward risks, improvements in the equipment and implementation of policies. The use of discussions and workshops promotes safety awareness, which is critical in changing behavior.



The leadership tool Management Drives has continued during 2014.



Management Drives Colour sessions in 2014.



At the Great Place to Work gala in Helsinki in February 2014, Cloetta Finland was named one of the best workplaces in Finland.

Cloetta continued the roll-out of the leadership tool Management Drives to a large number of managers and their immediate teams. Management Drives is based on the use of a questionnaire among other things to identify the drives for each employee, what energises them and what drains them of energy. By making both managers and employees aware of their own profiles and thereby which working methods suit them best, this is now laying the foundation for moving forward in 2015 with the launch of Cloetta's Leadership Dimensions connected to Management Drives. The goal is to recognise how to best develop your own leadership in a way that boosts motivation and performance in your immediate team, through trust, understanding and communication.

New salary framework

One major factor in how employees perceive the attractiveness of their workplace is the feeling that they are fairly paid and that there is a well supported salary structure in the company.

For several years Cloetta has been working closely with one of the major consulting companies to develop an optimised framework and strategy for Cloetta's remuneration/salary structure. All positions at Cloetta have been evaluated and plotted on a matrix where comparable jobs are ranked similarly regardless of company or function. This has then been supplemented with a salary structure that is benchmarked against other food producing companies in each country. The results provide an excellent basis for upcoming salary reviews, where

the existing salary level and the year's performance are key parameters in the framework that has now been established.

Number of employees

The average number of employees in 2014 was 2,533 (2,472). The increase is due to the acquisitions of Nutisal and The Jelly Bean Factory, but was offset somewhat by the factory restructurings that were carried out successively during 2014. Of the total number of employees, 57 per cent are employed under collective agreements and 43 per cent are salaried employees.

A flat organisation for shorter decision-making processes

Cloetta has around 2,500 employees in 14 countries who are active in sales and marketing, production, innovation and support functions. Cloetta's head office is located in Stockholm.

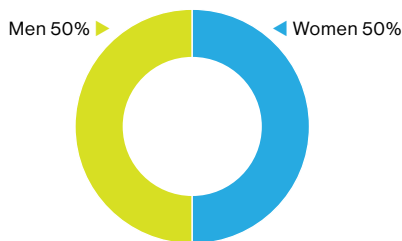
Cloetta is organised according to function and its commercial organisation is separate from the supply chain organisation. Personnel, finance and administrative units are found in each main market and serve as support functions for both the local sales and marketing organisation and for production. Responsibility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

Goals for greater well-being

Goal	Outcome 2014
<p>Employees</p> <ul style="list-style-type: none"> ♦ The number of days between occupational accidents with >1 day of sickness absence will exceed 23.0 days in 2015. ♦ Great Place to Work – the Trust Index will exceed 63 per cent in 2016. 	<p>Employee</p> <ul style="list-style-type: none"> ♦ The number of days between work-related accidents with >1 day of sickness absence amounted to 18. ♦ Great Place to Work – Trust index, 60 per cent.

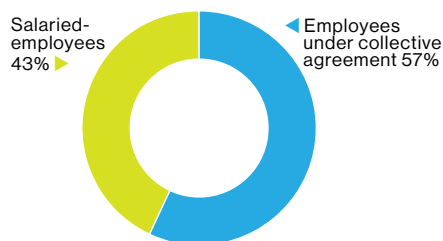
Gender distribution

31 December 2014

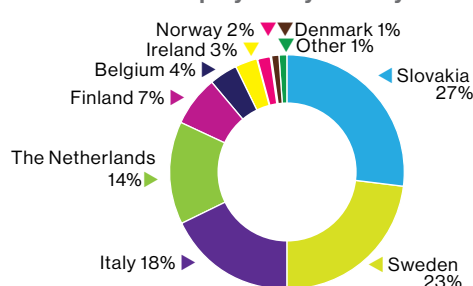


Employee categories

31 December 2014



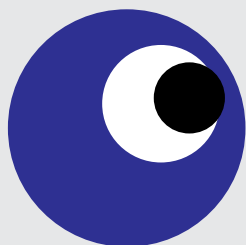
Employees by country



Employees	Slovakia	Sweden	Italy	Netherlands	Finland	Belgium	Ireland	Norway	Denmark	UK	Germany	Other	Total
Average no. of employees	677	586	464	343	185	105	77	41	34	8	7	6	2,533
– of whom, women	446	277	190	94	152	24	31	20	17	6	3	5	1,265
Sickness absence, %	5.8	3.5	6.7	4.8	2.3	4.0	1.8	5.7	1.1	–	2.8		

Core values

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



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

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



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

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



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

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



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

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

Greater well-being – better for you

Many consumers are seeking genuine raw materials and more healthy or functional confectionery/snacks. For Cloetta, it is therefore vital to offer a wide range of products with varying compositions and in different packaging alternatives. Around 33 per cent of Cloetta's revenue comes from sugar-free products.



Fewer calories with stevia

In order to offer products with a reduced calorie content, stevia plays a important role for Cloetta's products. Stevia is a plant native to South America whose leaves contain an intense and natural sweetness. Cloetta uses stevia extract in a number of different products, such as Läkerol, chewing gum, Dietor and Dietorelle.



Nuts

Nuts are a natural source of many vital nutrients and also contain antioxidants. Cashew nuts are rich in iron, folic acid and zinc, peanuts (which are actually seeds) are rich in protein and contain high levels of Vitamin B3, almonds (actually seeds) are rich in Vitamin E and pistachios are very rich in antioxidants.



Better dental health with xylitol

Production of the sweetener xylitol, which has fewer calories than natural sugar, was originally started in Finland in the 1970s through extraction from birch sap. Today xylitol is extracted from many hardwoods and corncobs. Xylitol protects from tooth decay.



Clear declaration of contents

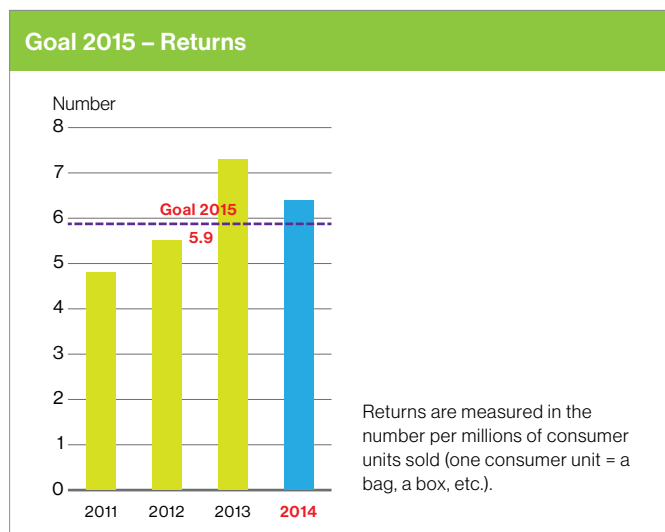
Cloetta works continuously to develop responsible and clear information about the contents of our products via packages and the website.



Genuine and natural raw materials

Goody Good Stuff and The Jelly Bean Factory are two examples of products where Cloetta has fully implemented the idea of 100 per cent natural ingredients. All artificial colours and flavours have been replaced by natural fruit and plant extracts and all other food additives have been eliminated.

Furthermore, both Goody Good Stuff and The Jelly Bean Factory are free from allergens and contain no animal-based gelatine, which makes the products suitable for vegetarians and people with food allergies.



Share and shareholders

Cloetta's class B share is listed on Nasdaq Stockholm in the Mid Cap segment.

Cloetta's class B share has been listed on Nasdaq Stockholm since 16 February 2009. However, Cloetta was originally introduced on the stock exchange in 1994 and has since then been listed in a number of different owner constellations. On 2 July 2012, Nasdaq Stockholm moved Cloetta from the Small Cap to the Mid Cap list. The Mid Cap segment includes companies with a market capitalisation of between EUR 150m and EUR 1bn.

The Cloetta share is included in the Nasdaq OMX Mid Cap index, and in the Nordic and Swedish industry indexes for Food Producers, Food & Beverage and Consumer Goods. The share is traded under the ticker symbol CLA B with ISIN code SE0002626861 and the company's unlisted class A shares have ISIN code SE0002626853. A standard trading unit consists of 1 share.

Shareholders¹

At 31 December 2014 Cloetta AB had 12,694 shareholders, which is double the number on 31 December 2013, when 6,321 shareholders were registered. Of the shareholders, 1,435 were financial and institutional investors and 11,259 were private investors. Financial and institutional investors held 90.6 per cent of the votes and 87.8 per cent of the share capital. There were 806 foreign shareholders, who held 17.1 per cent of the votes and 22.3 per cent of the share capital. The 10 largest shareholders accounted for 67.6 per cent of the votes and 57.6 per cent of the share capital.

At 31 December 2014, AB Malfors Promotor was Cloetta's largest shareholder with a holding representing 41.3 per cent of the votes and 23.2 per cent of the share capital in the company. The second largest shareholder was AMF Försäkring och Fonder with 9.5 per cent of the votes and 12.4 per cent of the share capital, and the third largest shareholder was Threadneedle Investment Funds with 3.0 per cent of the votes and 4.0 per cent of the share capital.

Share price and trading²

During the period from 1 January to 31 December 2014, 164,141,164 Cloetta shares were traded for a combined value of SEK 3,608m, equal to around 59 per cent of the total number of class B shares on Nasdaq Stockholm at the end of the period. During the same period, 188,880 class B shares were traded on Burgundy for a value of SEK 4.2m.

The highest quoted bid price during the period from 1 January to 31 December 2014 was SEK 24.50 on 1 April and the lowest bid price was SEK 18.80 on 16 October. The share price on 31 December 2014 was SEK 22.60 (last price paid). During the period from 1 January to 31 December 2014, Cloetta's share price increased by 16 per cent, while Nasdaq OMX Stockholm PI rose by 12 per cent.

Share capital and capital structure

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

Cloetta's Articles of Association contain a Central Securities Depository (CSD) provision and the company's shares are affiliated with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share register and registers the shares to owners. Each A share grants the right to 10 votes and each B share to one vote in shareholder meetings. All shares grant equal entitlement to participate in the company's profits and an equal share in any surplus arising on liquidation.

In connection with the merger between Cloetta and Leaf in February 2012, Malfors Promotor undertook, in relation to the company, CVC and Nordic Capital, to convert parts of its holding of class A shares to B shares so that Malfors Promotor's share of the total number of votes in Cloetta after conversion is equal to 39.9 per cent in the first phase and 33.34 per cent in the second phase. Conversion to 40.2 per cent (39.9 per cent after full exercise of the outstanding option programme issued by the three principal shareholders) was carried out in December 2012. Conversion to 33.34 per cent will take place when Cloetta's net debt/EBITDA ratio is lower than a multiple of 2.7, according to the stipulations in the loan agreement between Cloetta and Svenska Handelsbanken AB (publ). The stated percentages for Malfors Promotor's conversion undertaking apply on a fully diluted basis for the outstanding incentive schemes in Cloetta. Furthermore, the shares that have been acquired

Share data

Marketplace	Nasdaq Stockholm
Date of listing	16 February 2009
Segment	Mid cap
Sector	Food Producers, Food & Beverage and Consumer Goods
Ticker symbol	CLA B
ISIN code	SE0002626861
Currency	SEK
Standard trading unit	1 share
No. of shares in issue	278,757,685 class B shares*
Highest price paid in 2014	SEK 24.50 (1 April)
Lowest price paid in 2014	SEK 18.80 (16 October)
Year-end closing price in 2014	SEK 22.60
Share price growth in 2014	+16 per cent

Financial calendar 2015

2014 year-end report	13 February 2015
Interim report Q1 2015	23 April 2015
Interim report Q2 2015	17 July 2015
Interim report Q3 2015	10 November 2015

* There are a total of 288,619,299 shares, consisting of 278,757,685 class B shares and 9,861,614 unlisted class A shares.

¹ Source: Euroclear

² Source: Nasdaq Stockholm

Development of the share capital

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

Source: Euroclear

Ten largest shareholders at 31 December 2014

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
AB Malfors Promotor	41.3	23.2	67,063,560	9,855,934	57,207,626
AMF - Försäkring och Fonder	9.5	12.4	35,940,831	0	35,940,831
Threadneedle Investment Funds	3.0	4.0	11,509,924	0	11,509,924
Danske Capital Sverige	2.8	3.6	10,419,676	0	10,419,676
Lannebo Fonder	2.7	3.6	10,238,105	0	10,238,105
JPM Chase	2.4	3.1	8,937,402	0	8,937,402
Svenskt Näringsliv	1.8	2.4	7,000,000	0	7,000,000
Länsförsäkringar fondförvaltning	1.4	1.8	5,122,876	0	5,122,876
Odin Sverige Aksjefondet	1.4	1.8	5,101,147	0	5,101,147
Ulla Håkanson	1.3	1.7	5,000,000	0	5,000,000
Total, 10 largest shareholders	67.6	57.6	166,333,521	9,855,934	156,477,587
Other shareholders	32.4	42.4	122,285,778	5,680	122,280,098
Total	100	100	288,619,299	9,861,614	278,757,685

Source: Euroclear Current holdings for the 10 largest shareholders can be found at www.cloetta.com

Size categories at 31 December 2014

	No. of shareholders	Total no. of shares	No. of A shares	No. of B shares	% of share capital	% of votes
1–100	3,213	139,312	116	139,196	0.0	0.0
101–500	3,366	1,050,430	1,945	1,048,485	0.4	0.3
501–10,000	5,438	13,576,481	3,425	13,573,056	4.7	3.6
10,001–50,000	425	9,291,329	0	9,291,329	3.2	2.5
50,001–	252	264,561,747	9,856,128	254,705,619	91.7	93.6
Total	12,694	288,619,299	9,861,614	278,757,685	100	100

Source: Euroclear

Shareholder categories at 31 December 2014

	% of votes	% of share capital	No. of shareholders	Shareholders %
Private investors	9.4	12.2	11,259	88.7
<i>Of which, Swedish residents</i>	9.3	12.1	11,172	88.0
Legal entities	90.6	87.8	1,435	11.3
<i>Of which, Swedish residents</i>	73.7	65.6	716	5.6
Total	100	100	12,694	100
<i>of which, Swedish residents</i>	83.0	77.7	11,888	93.6

Source: Euroclear

Shareholders by country at 31 December 2014

	No. of shareholders	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	11,888	83.0	77.7	224,186,573	9,861,614	214,324,959
United Kingdom	43	7.5	9.9	28,441,543	0	28,441,543
USA	49	3.4	4.4	12,744,911	0	12,744,911
Finland	406	1.7	2.2	6,489,523	0	6,489,523
Monaco	3	1.0	1.3	3,869,500	0	3,869,500
Other countries	305	3.4	4.5	12,887,249	0	12,887,249
Total	12,694	100	100	288,619,299	9,861,614	278,757,685

Source: Euroclear

by Malfors Promotor after 15 March 2012 (the settlement date for the rights issue that was carried out in connection with the merger between Cloetta and Leaf) will not be included in the calculation.

For more information about incentive schemes, see pages 57, 72, 103 and 119.

Shareholder agreement

Oy Karl Fazer Ab, Conclo Ab, Oy Cacava Ab and certain private individuals affiliated with Oy Karl Fazer Ab have in relation to Hjalmar Svenfelt Foundation (which owns shares in Cloetta through AB Malfors Promotor), previously undertaken to refrain from acquiring, directly or indirectly, shares in Cloetta during a 10-year period starting on the first date of trading for Cloetta's class B shares on Nasdaq OMX First North on 8 December 2008, provided that the Hjalmar Svenfelt Foundation does not reduce its direct or indirect holding during this period to a level of less than 30 per cent of the votes in Cloetta.

Individuals with an insider position

The members of the Board, the Group Management Team, the authorised public accountant, a number of employees/contract personnel in Cloetta and individuals with certain functions in the Group's subsidiaries, who have a position that can normally be assumed to provide access to non-publicised share price sensitive information, have been

registered with the Swedish Financial Supervisory Authority as insiders in Cloetta. These individuals are obligated to report changes in their holdings of financial instruments in Cloetta according to the Act on Reporting Obligations for Certain Holdings of Financial Instruments.

Listed companies are required to record a logbook of individuals who are employed or contracted by the company and have access to insider information relating to the company. These can include insiders, but also other individuals who have insider information without being registered as insiders. Cloetta records a logbook for each financial report or press release containing information that could affect the share price.

Silent periods

Cloetta maintains a silent period of at least 30 days prior to the publication of its quarterly financial reports. During this period, representatives of the Group will not meet with financial media, analysts or investors.

Investor relations

In connection with the interim reports during 2014, Cloetta has featured webcasts of press and analyst conferences and held meetings with analysts and investors in Chicago, New York, Helsinki, Copenhagen, London, Paris, Stockholm, Gothenburg and Lund.

The following analysts regularly follow Cloetta's development:

Berenberg Bank, Virginia Nordback
Carnegie, Fredrik Villard
Carnegie, Christian Hellman
Danske Bank, Mikael Holm
Erik Penser Bank, Oscar Karlsson
Handelsbanken, Erik Sandstedt
Handelsbanken, Peter Wallin
SEB, Stefan Cederberg
SEB, Stefan Nelson

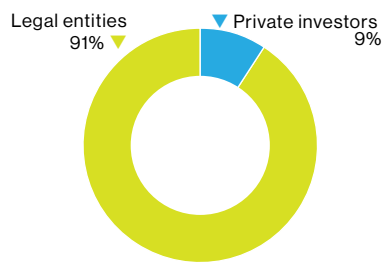
Credit analysts:

Handelsbanken, Ola Eriksson
Nordea, Rickard Hellman



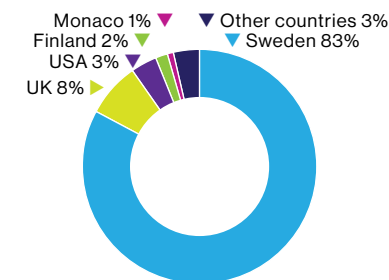
Shareholder categories, % of votes

31 December 2014



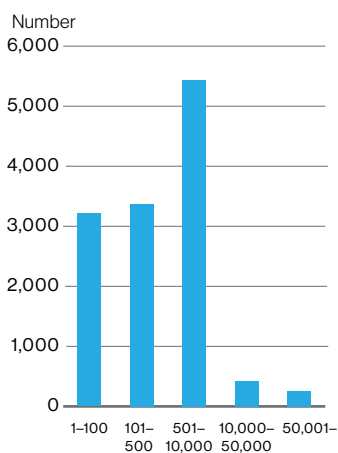
Shareholder countries, % of votes

31 December 2014



Number of shareholders by size of holding

31 December 2014



Incentive schemes

Share-based long-term incentive plan (LTI 2014)

The Annual General Meeting on 29 April 2014 approved the Board's proposal to implement a share-based long-term incentive plan (LTI 2014). 73 employees consisting of the Group Management and other key employees were offered the opportunity to participate in LTI 2014, of whom 49 chose to take part. To participate in LTI 2014, a personal shareholding in Cloetta is required. The participants may invest a maximum of around 10 per cent of their pre-tax annual salary for 2014 in LTI 2014. A maximum of 1,773,840 class B shares in Cloetta may be allocated under the terms of LTI 2014, which is equal to approximately 0.6 per cent of the outstanding shares and 0.5 per cent of the outstanding votes. For more information about LTI 2014, see Note 6 on pages 102–103 and Note 24 on page 119.

Share-based long-term incentive plan (LTI 2013)

The Annual General Meeting on 11 April 2013 approved the Board's proposal to implement a share-based long-term incentive plan (LTI 2013). 61 employees consisting of the Group Management and other key employees were offered the opportunity to participate in LTI 2013, of whom 45 chose to take part. To participate in LTI 2013, a personal shareholding in Cloetta is required. A maximum of 823,500 class B shares in Cloetta may be allocated under the terms of LTI 2013, which is equal to approximately 0.3 per cent of the outstanding shares and 0.2 per cent of the outstanding votes. For more information about LTI 2013, see Note 6 on pages 102–103 and Note 24 on page 119.

Call options

In connection with the merger between Cloetta and Leaf in February 2012, Cloetta's then principal shareholders – Malfors Promotor, CVC and Nordic Capital (through holding companies) –

announced that individuals in the Group Management Team and one other key employee in the Group had acquired call options on market-based terms. The call options were issued by the principal shareholders in order to promote commitment to the company's development. The final tranche of the call option scheme was exercised by the option holders at the beginning of 2015. Cloetta did not contribute to the call option scheme and did not incur any costs related to the scheme. Furthermore, the call option scheme will not lead to any dilution of the current shareholders' holdings. For more information about call options, see Note 24 on pages 118–119.

Dividend

Dividend policy

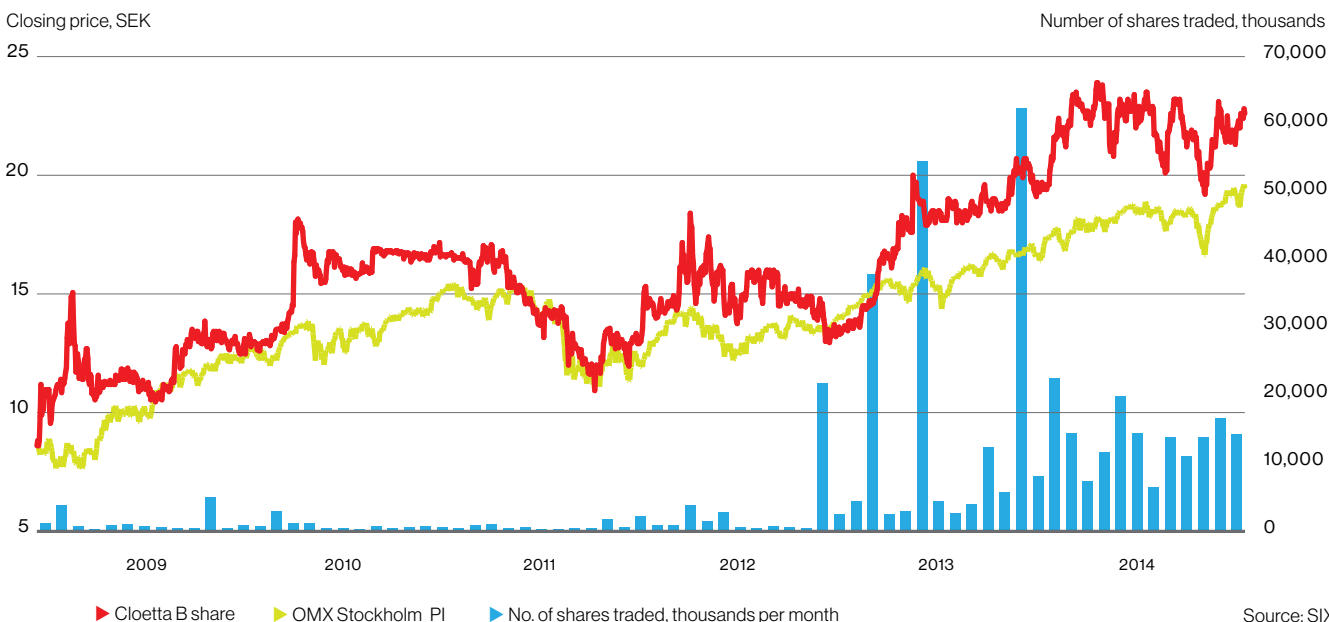
Cloetta's long-term intention is a dividend payout of 40–60 per cent of profit after tax. Neither the Swedish Companies Act nor Cloetta's Articles of Association contain any restrictions regarding the right to dividends for shareholders outside Sweden.

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

The main focus is on using the company's strong cash flows in order to repay bank loans, while at the same time allowing for complementary acquisitions.

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

Share price performance from the date of listing until 31 December 2014*



Source: SIX

* Adjusted for the effect of the new share issue in March 2012.

6 reasons to invest in Cloetta

Strong local brands

Cloetta has an extensive portfolio of solid local brands that are well established in the minds of the consumers. The brands have been cherished for generations and consumers have a personal relationship with the brands they have grown up with.

Attractive non-cyclical market

The confectionery market is relatively insensitive to economic fluctuations and shows stable growth that is primarily driven by population trends and price increases. Historically, annual market growth has been between 1 and 2 per cent.

Strong market positions and distribution

Cloetta has strong sales and marketing organisations in its core markets that have excellent relations with the retail trade. The wide portfolio of market-leading products creates economies of scale and the brands are often a "must have" for the retail trade.

Clear strategy to deliver growth

In order to drive growth, daily activities such as broadening of distribution, updating of packaging, promotional and advertising activities, line extensions and the launch of seasonal products are the most important. In addition, strategic activities such as innovations, geographical roll-outs, brand extensions and brand relaunches play important roles. Lastly, acquisitions can be important growth generators.

Focus on continued margin expansion

Cloetta's profitability has improved substantially over the past few years. In order to drive towards Cloetta's financial target to reach an EBIT margin of 14 per cent, there will be a continued focus on cost-effectiveness, growth and profitability.

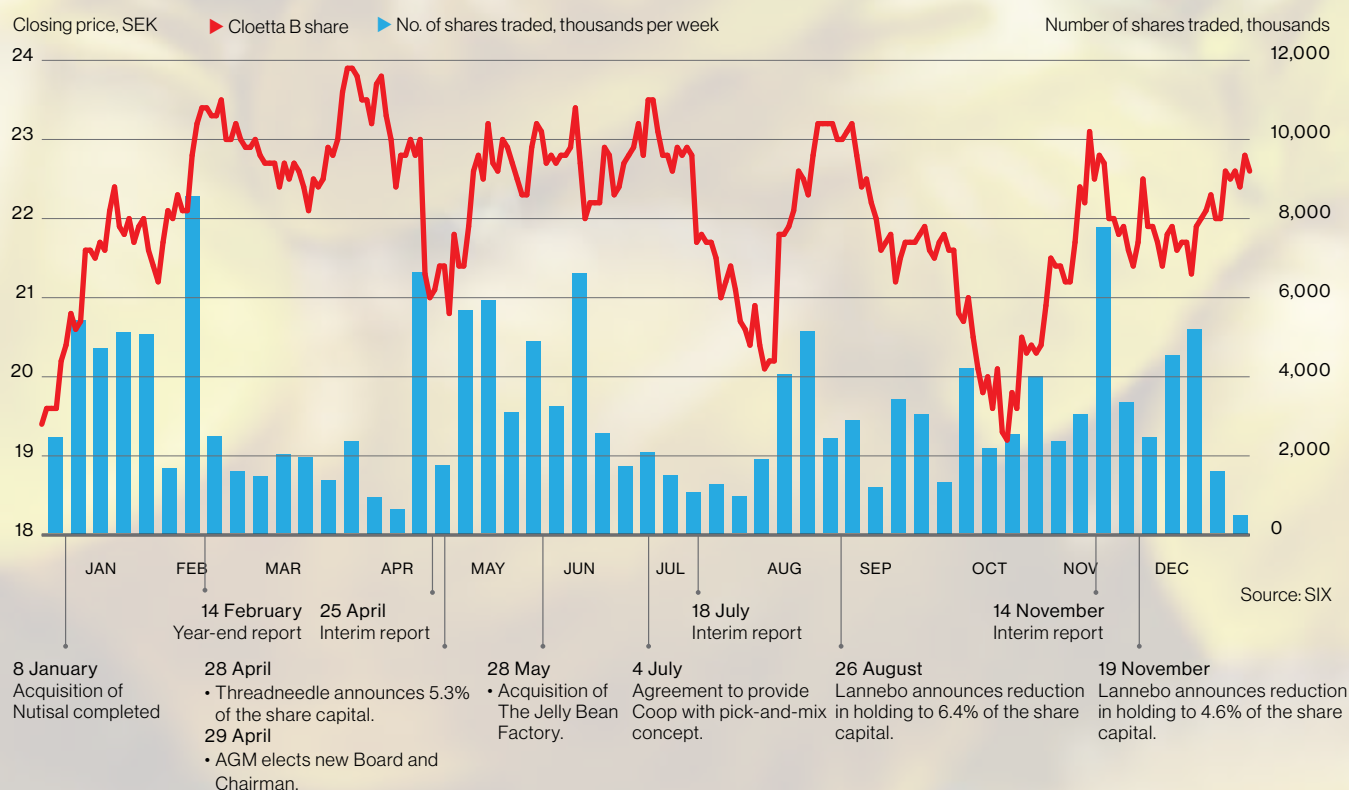
Attractive cash flow generation and dividend potential

Cloetta's business has a very strong cash generating capability. Low and stable capital expenditures combined with improved management of working capital should generate strong cash flows and thereby create strong dividend potential.

The number of shareholders in Cloetta doubled during 2014. On 31 December Cloetta had 12,694 shareholders, compared to 6,321 one year earlier.

In connection with the exit of the shareholdings of CVC and Nordic Capital in 2013, many new institutions invested in Cloetta. A full 17 per cent of the current shareholdings are non-Swedish. In addition to a couple hundred new institutional investors, several thousand new individuals have acquired shares in Cloetta. Almost 90 per cent of the shareholders in Cloetta have small holdings of a couple hundred or thousand shares each.

Share price performance during the year





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Administration report

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

Information about operations

The Cloetta Group, whose parent company is Cloetta AB (publ), was formed in August 2008 following the separation of Cloetta Fazer. Cloetta AB (publ) was then listed on Nasdaq Stockholm in February 2009. On 16 February 2012 Cloetta AB (publ) acquired Leaf Holland B.V. (currently known as Cloetta Holland B.V.) from Yllop Holding S.A. (formerly known as Leaf Holding S.A.). The acquisition has been accounted for as a reverse acquisition from a group accounting perspective, where Leaf Holland B.V. is the accounting acquirer and Cloetta AB (publ) is the legal acquirer.

Financial reports

Consolidated accounts

These annual accounts include the consolidated financial statements of the Cloetta Group for the period from 1 January to 31 December 2014. For the Parent Company, these annual accounts cover the period from 1 January to 31 December 2014.

Market

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

Production

At 31 December 2014 the Group had a total of 11 production units in six countries.

Brands

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

Organisational structure

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

Vision and strategy

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

Cloetta's strategies are:

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

The group's long-term targets

Organic sales growth

The long-term target is to grow organic sales at least in line with the market. Historically, total annual growth in the markets where Cloetta is active has been 1–2 per cent. In 2014 Cloetta had sales growth of 1.0 per cent. All markets except Italy showed growth.

EBIT margin

Cloetta's goal is an underlying EBIT margin of at least 14 per cent. The underlying EBIT margin improved from 12.0 per cent to 12.3 per cent in 2014, mainly due to increased efficiency. The EBIT margin improved from 8.5 per cent to 10.9 per cent, mainly as a result of increased efficiency and lower restructuring costs. In addition, it includes adjustments in the contingent considerations related to completed acquisitions.

Net debt

The long-term goal for net debt is a net debt/EBITDA ratio of around 2.5x. During the year Cloetta decreased its net debt/EBITDA ratio from 4.19x to 3.97x despite costs for completed acquisitions and non-recurring costs.

The Group's long-term targets

	31 Dec 2014	31 Dec 2013
Equity, SEKm	4,048	3,747
Profit for the year, SEKm	242	264
Organic sales growth, %	1.0	-1.0
Underlying EBIT margin, %	12.3	12.0
Net debt/EBITDA, x ¹	3.97	4.19

¹ The definition of net debt/EBITDA is aligned with the definition used in the credit facility agreement. See definition on page 148. The comparative figures have been adjusted.

Acquisitions

As part of Cloetta's strategies for profitable growth, Cloetta makes acquisitions when favourable opportunities arise. In January 2014 Cloetta completed the acquisition of Nutisal, a Swedish company within dry roasted nuts. Later in the year Cloetta acquired Ireland-based The Jelly Bean Factory.

Parent company

Cloetta AB's (publ) activities consist primarily of head office functions such as group-wide management and administration, see also page 130.

Consolidated profit and loss account

SEKm	Note	2014	2013
Net sales	2	5,313	4,893
Cost of goods sold	4	-3,325	-3,081
Gross profit		1,988	1,812
Other income	2	5	12
Selling expenses	4	-892	-850
General and administrative expenses	4	-524	-556
Operating profit		577	418
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	9	-11	-12
Other financial income	9	4	24
Other financial expenses	9	-232	-220
Net financial items		-239	-208
Profit before tax		338	210
Income tax	10	-96	54
Profit for the year		242	264
<i>Profit for the period attributable to:</i>			
Owners of the Parent Company		242	264
Earnings per share, SEK			
Basic ¹	20	0.84	0.92
Diluted ¹	20	0.84	0.92
Number of shares at end of period		288,619,299	288,619,299
Average numbers of shares (basic) ¹		286,987,990	288,010,947
Average numbers of shares (diluted) ¹		287,092,780	288,026,408

¹ Cloetta entered into two long-term forward contracts in order to repurchase own shares to fulfil its future obligation to deliver the shares to the participants in the share-based long-term 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 cover 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.

Net sales and profit

Net sales

Net sales for the full year rose by SEK 420m to SEK 5,313m (4,893) compared to last year. The increase in net sales in 2014 is attributable to organic growth, acquisitions and foreign exchange effects.

Gross profit

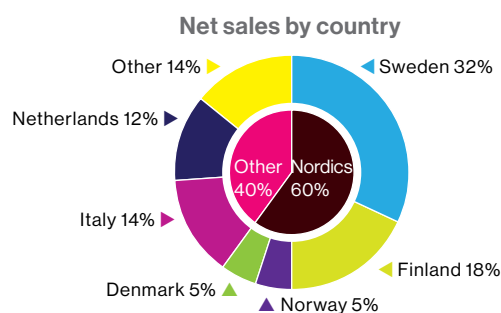
Gross profit amounted to SEK 1,988m (1,812), which is equal to a gross margin of 37.4 per cent (37.0). Improvement in the gross margin is mainly due to higher efficiency and lower restructuring costs.

Operating profit

Operating profit was SEK 577m (418). The improvement is mainly due to higher efficiency and lower restructuring costs. In addition, it includes adjustments in the contingent considerations related to completed acquisitions.

Underlying EBIT

Underlying EBIT was SEK 609m (591), as a result of increased efficiency.



Items affecting comparability

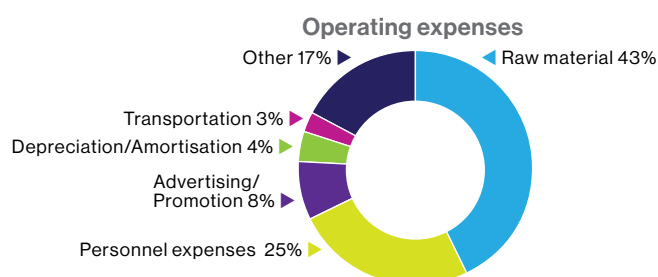
Operating profit for the full year includes items affecting comparability of SEK 32m (173) related to the acquisition and integration of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and Aran Candy Ltd., as well as costs from the factory restructurings and currency translation. In addition, it includes an adjustment in the contingent earn-out consideration related to completed acquisitions.

Research and development

Costs for research and development (R&D) were charged to operating profit in an amount of SEK 39m (33) and are primarily attributable to the creation of new product and brand varieties and packaging solutions within the framework of the existing product range. No expenses for research and development have been capitalised.

Net financial items

Net financial items for the year amounted to SEK -239m (-208). Interest expenses related to external borrowings were SEK -146m (-153). Other financial items of SEK -93m (-55) consist of exchange differences on borrowings and cash in an amount of SEK -11m (-12), interest on contingent considerations of SEK -14m (-), amortisation of capitalised transaction costs of SEK -19m (-38), unrealised gains and losses on interest swaps of SEK -23m (22) and other financial items of SEK -26m (-27). SEK -13m (-12) of the other financial items is non-cash in nature.

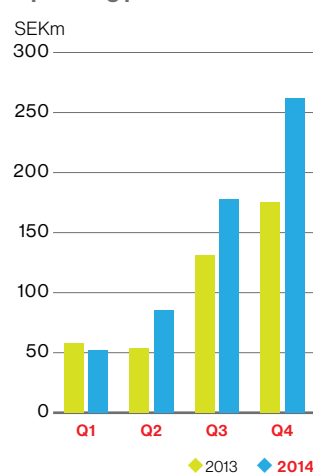
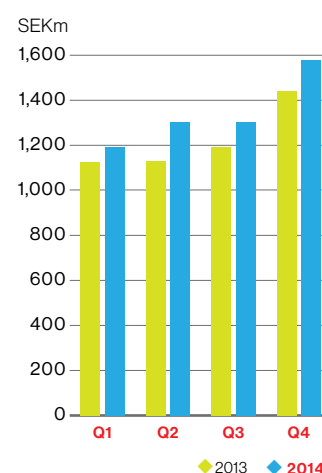
**Profit for the year**

Profit for the year was SEK 242m (264), which is equal to basic and diluted earnings per share of SEK 0.84 (0.92). Income tax for the year was SEK -96m (54). The year's income tax was impacted by the effect of international tax rate differences, non-deductible interest and changes in valuation allowances for tax loss carryforwards and recognition of tax credits.

Key ratios

%	2014	2013
Gross margin	37.4	37.0
Operating profit margin	10.9	8.5
Return on capital employed	7.5	6.1
Return on equity after tax	6.0	7.0

For definitions, see page 148.

Operating profit**Net sales****Quarterly data**

	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
Net sales, SEKm	5,313	1,579	1,303	1,238	1,193	4,893	1,441	1,194	1,131	1,127
Operating profit, SEKm	577	262	178	85	52	418	175	131	54	58
Operating margin, %	10.9	16.6	13.7	6.9	4.4	8.5	12.1	11.0	4.8	5.1

Seasonal variations

Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on in which quarter it occurs. There were limited seasonal variations due to the Easter holiday in a comparison between 2013 and 2014. 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 major holidays.

Consolidated statement of other comprehensive income

SEKm	2014	2013
Profit for the period	242	264
<i>Other comprehensive income</i>		
Remeasurements of defined benefit pension plans	-146	86
Income tax on other comprehensive income that will not be reclassified subsequently to profit and loss for the period	33	-19
Items that will never be reclassified to profit or loss for the period	-113	67
Hedge of a net investment in a foreign operation	-47	-54
Currency translation differences	232	148
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period, when specific conditions are met	10	12
Items that are or may be reclassified to profit or loss for the period	195	106
Total other comprehensive income	82	173
Total comprehensive income, net of tax	324	437
<i>Total comprehensive income for the period attributable to:</i>		
Owners of the Parent Company	324	437



Consolidated balance sheet

SEK m	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	11	5,882	5,252
Property, plant and equipment	12	1,667	1,660
Deferred tax asset	13	84	73
Other financial assets	14	105	91
Total non-current assets		7,738	7,076
Current assets			
Inventories	15	853	798
Trade and other receivables	16	1,121	933
Current income tax assets	13	3	0
Derivative financial instruments	22	2	–
Cash and cash equivalents	17	229	167
Total current assets		2,208	1,898
Assets held for sale	18	16	15
TOTAL ASSETS		9,962	8,989
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,443	1,443
Other paid-in capital	19	4,124	4,124
Translation difference reserve	19	268	36
Retained earnings including profit for the year	19	–1,787	–1,856
Equity attributable to owners of the Parent Company		4,048	3,747
Non-current liabilities			
Long-term borrowings	21	2,993	3,096
Deferred tax liability	13	483	397
Derivative financial instruments	22	56	21
Other non-current liabilities	23	147	2
Provisions for pensions and other long-term employee benefits	24	505	360
Provisions	25	16	7
Total non-current liabilities		4,200	3,883
Current liabilities			
Short-term borrowings	21	423	212
Derivative financial instruments	22	16	2
Trade and other payables	26	1,152	967
Provisions	25	65	79
Current income tax liabilities	13	58	99
Total current liabilities		1,714	1,359
TOTAL EQUITY AND LIABILITIES		9,962	8,989
Contingent liabilities	31	52	51

For the pledged assets, see Note 21 regarding borrowings.

Financial position

Assets

Total assets at 31 December 2014 amounted to SEK 9,962m (8,989), which is an increase of SEK 973m compared to the previous year.

Non-current assets

Intangible assets totalled SEK 5,882m (5,252). Acquired intangible assets as a result of business combinations during the year totalled SEK 363m (37). The year's investments amounted to SEK 62m (29) and amortisation amounted to SEK -30m (-18). Exchange differences on capitalised intangible costs amounted to SEK 235m (106). Of total intangible assets, SEK 5,744m (5,152) pertained to goodwill and trademarks. Other intangible assets referred mainly to software, which is capitalised when the expenses are expected to generate future economic benefits. Internally generated costs for trademarks are not capitalised. Neither goodwill nor trademarks are amortised, but are instead tested for impairment at least yearly. On the balance sheet date at 31 December 2014 there was no indication of impairment. See also Note 11.

Property, plant and equipment (PP&E) amounted to SEK 1,667m (1,660). Acquired property, plant and equipment as a result of business combinations in the year totalled SEK 43m (0). The year's investments totalled SEK 124m (182), of which SEK 2m (3) referred to land and buildings and SEK 122m (179) to machinery and equipment. The year's investments in property, plant and equipment referred primarily to investments arising from the decision to close factories and move production to other factories in the Group. In addition, continuous efficiency-enhancing and replacement investments are made on the existing production lines. Depreciation amounted to SEK -171m (-159).

Financial assets amounted to SEK 105m (91) and deferred tax assets amounted to SEK 84m (73).

Current assets

Current assets amounted to SEK 2,208m (1,898), an increase of SEK 310m compared to the previous year.

Assets held for sale consist of the Zola Predosa factory in Italy, which was available for sale at 31 December 2014.

Equity and liabilities

Equity

Equity in the Group rose during 2014 from SEK 3,747m to SEK 4,048m. On the balance sheet date, the share capital amounted to SEK 1,443m (1,443). The equity/assets ratio on the same date was 40.6 per cent (41.7).

Liabilities

Non-current liabilities, consisting mainly of loans to credit institutions and senior secured notes, amounted to SEK 4,200m (3,883), which corresponds to an increase of SEK 317m compared to the previous year.

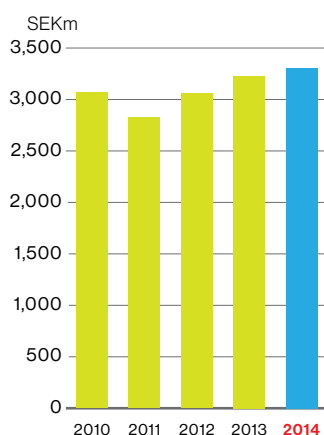
Current liabilities are reported at SEK 1,714m (1,359), of which SEK 586m (388) referred to trade payables, SEK 423m (212) to borrowings and SEK 705m (759) to other current liabilities.

Net debt

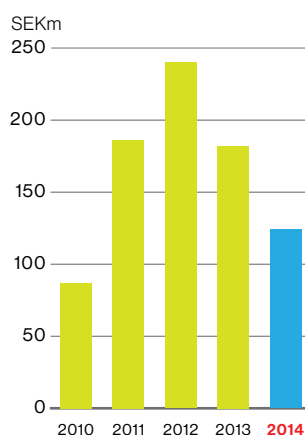
Interest-bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 3,308m (3,230). The net debt/equity ratio on the balance sheet date was 81.7 per cent (86.2).

SEKm	31 Dec 2014	31 Dec 2013
Gross non-current borrowings	2,026	2,144
Gross current borrowings	229	135
Credit overdraft facility	211	73
Senior secured notes	1,000	1,000
Derivative financial instruments (current and non-current)	70	23
Interest payable	1	22
Gross debt	3,537	3,397
Cash and cash equivalents	-229	-167
Net debt	3,308	3,230

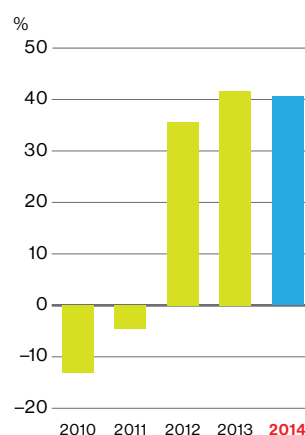
Net debt



Investments in property, plant and equipment



Equity/assets ratio



Consolidated statement of changes in equity

SEKm	Share capital	Other paid-in capital	Translation difference reserve	Retained earnings	Total equity
Balance at 1 January 2013	1,443	4,124	-70	-2,171	3,326
<i>Comprehensive income</i>					
Profit for the year	-	-	-	264	264
Other comprehensive income	-	-	106	67	173
Total comprehensive income for 2013	-	-	106	331	437
Transactions with owners					
Forward contract to repurchase own shares	-	-	-	-19	-19
Share-based payments	-	-	-	3	3
Total transactions with owners	-	-	-	-16	-16
Balance at 31 December 2013	1,443	4,124	36	-1,856	3,747
<i>Comprehensive income</i>					
Profit for the year	-	-	-	242	242
Other comprehensive income	-	-	232	-150	82
Total comprehensive income for 2014	-	-	232	92	324
Transactions with owners					
Forward contract to repurchase own shares	-	-	-	-27	-27
Share-based payments	-	-	-	4	4
Total transactions with owners	-	-	-	-23	-23
Balance at 31 December 2014	1,443	4,124	268	-1,787	4,048

See Note 19 for a further description of changes in equity.

Total equity is attributable to the owners of the Parent Company.

Shares, shareholders and dividend

Number of shares and quota value

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

The number of shares authorised, issued and fully paid at 31 December 2014 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares. Each A share grants the right to ten votes and each B share to one vote in shareholders meetings.

Largest shareholders

On 31 December 2014 Cloetta AB (publ) had 12,694 shareholders (6,321 at 31 December 2013). The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.3 per cent of the votes and 23.2 per cent of the share capital in the company. Other institutional investors held 49.3 per cent of the votes and 64.6 per cent of the share capital.

Foreign shareholders held 17.0 per cent of the votes and 22.3 per cent of the share capital.

At 31 December 2014, AMF Försäkring och Fonder was the second largest shareholder with a holding corresponding to 9.5 per cent of the votes and 12.4 per cent of the share capital. The third largest shareholder was Threadneedle Investment Funds with a holding corresponding to 3.0 per cent of the votes and 4.0 per cent of the share capital in the company.

There is a shareholder agreement between Hjalmar Svenfelt Foundation (which owns shares in Cloetta through Malfors Promotor) and Fazer et al. which prohibits Fazer et al. from purchasing shares in Cloetta as long as Hjalmar Svenfelt Foundation (direct or indirect) holds 30 per cent or more of the voting rights of Cloetta.

The current holdings for the ten largest shareholders can be found at www.cloetta.com.

Articles of Association

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

Dividend

Board of Directors' dividend proposal

The long-term intention is to distribute 40–60 per cent of profit after tax. In line with the financial strategy to continue to reduce debt, no dividend is proposed for 2014. The primary focus is on reinvesting the company's strong cash flow for continued repayment of bank loans, while at the same time allowing for complementary acquisitions.



Consolidated cash flow statement

SEKm	Note	2014	2013
Operating profit		577	418
Adjustments for non-cash items	27	144	152
Interest received		2	2
Interest paid		-172	-116
Proceeds on derivative financial instruments		-8	-22
Income tax paid		-51	-26
Cash flow from operating activities before changes in working capital		492	408
Cash flow from changes in working capital			
Change in inventories		51	-6
Change in trade and other receivables		-117	37
Change in trade and other payables		74	-308
Cash flow from operating activities		500	131
Investing activities			
Acquisition of subsidiaries		-249	-25
Investments in property, plant and equipment		-119	-182
Investments in intangible assets		-63	-29
Disposals of property, plant and equipment		62	34
Cash flow from investing activities		-369	-202
Cash flow from operating and investing activities		131	-71
Financing activities			
Repayment of borrowings		-154	-1,056
Proceeds from borrowings		130	-
Senior secured notes issue (net of transaction cost)		-	991
Cash flow from financing activities		-24	-65
Cash flow for the year		107	-136
Cash and cash equivalents at beginning of year	17	167	306
Cash flow for the year		107	-136
Exchange difference		-45	-3
Cash and cash equivalents at end of year	17	229	167

Cash flow

Cash and cash equivalents

Cash and cash equivalents and short-term investments on the balance sheet date amounted to SEK 229m (167). Cloetta's working capital requirement is exposed to seasonal variations, partly resulting from a build-up of inventories in preparation for increased sales during the Christmas holiday. This means that the working capital requirement is normally highest during the autumn and lowest at year-end.

Operating activities

Cash flow from operating activities was SEK 500m (131). Cash flow from operating activities before changes in working capital was SEK 492m (408). The improvement compared to the prior year is mainly the result of a higher operating profit. The cash flow from changes in working capital was SEK 8m (-277). Cash flow from operating and investing activities was SEK 131m (-71).

Investing activities

Cash flow from investing activities was SEK -369m (-202). The increased cash outflow from investing activities is mainly the result of the cash outflows related to the acquisitions of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and Aran Candy Ltd.

The total cash flow from investments in property, plant and equipment and intangible assets in 2014 was SEK -182m (-211).

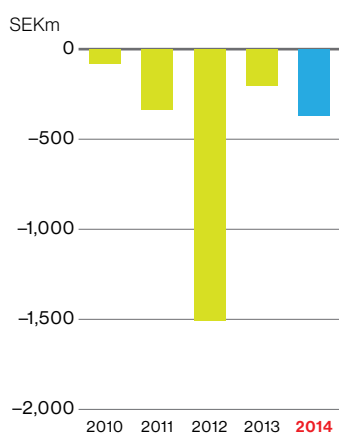
Financing activities

Cash flow from financing activities amounted to SEK -24m (-65).

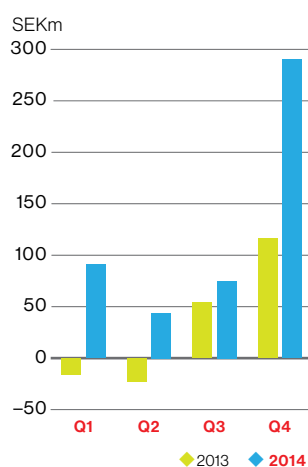
In 2013 the credit facility agreement with Svenska Handelsbanken was renegotiated. In addition, Cloetta AB (publ) issued senior secured notes of SEK 1,000m which are listed and admitted for trading on the corporate bond market of Nasdaq Stockholm as of 17 September 2013. The net proceeds from the placement of the notes have been used to repay the Senior A facility in full and reduce the overdraft facility. Total repayments of loans amounted to SEK 24m (1,056).

The net cash flow was SEK 107m (-136), which increased cash and cash equivalents to SEK 229m, compared to SEK 167m in the previous year.

Cash flow from investing activities



Cash flow from operating activities



Remuneration to Group management

Guidelines for remuneration to Group Management

The current guidelines for remuneration to Group Management were adopted at the Annual General Meeting (AGM) of Cloetta on 29 April 2014.

Remuneration to the President, other members of Group Management and other key employees reporting directly to the President shall consist of fixed salary, variable salary, other benefits and pension. Any variable salary should be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration package shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The company shall strive to have defined contribution pension plans. The retirement age shall be not less than 60 years and not more than 67 years.

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

The 2013 and 2014 AGMs approved the Board's proposal regarding the introduction of a share-based long-term incentive plan (LTI 2013 and LTI 2014) to align the interests of the shareholders on one hand with those of the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation. The participation in a share-based long-term incentive plan is resolved on yearly by the AGM.

The Board of Directors' report on the remuneration committee's evaluation of remuneration to Group Management

The Board of Directors has set up a remuneration committee consisting of three members who prepare recommendations for the Board's decision on issues relating to remuneration principles, the amount of remuneration

and the terms of employment for the Group Management Team. These recommendations have included the proportional relationship between fixed and variable remuneration and the size of any salary increases. The remuneration committee has also discussed pension terms and termination benefits. Guidelines for remuneration to the Group Management are presented to the Board of Directors, which submits a proposal on such guidelines to the AGM for approval. Current guidelines for remuneration to the Group Management Team are described in Note 6. The remuneration committee is also entrusted with the task of monitoring and evaluating programs for variable remuneration for the Group Management Team, application of the guidelines for remuneration adopted by the AGM and the current remuneration structures and levels in the company. Pursuant to rule 9.1, points 2 and 3 of the Swedish Code of Corporate Governance, the Board of Directors hereby presents the following report on the results of the remuneration committee's evaluation:

The variable remuneration that is payable according to the guidelines is linked to the individual's responsibility for results, as well as the Group's profitability targets, which contributes to growth in value for the company's shareholders.

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

Remuneration to the President for the financial year 2014 has been determined by the Board. Remuneration to other Group Management Team members has been decided by the President. Since the AGM on 29 April 2014 the remuneration committee has met on four occasions. The proposed guidelines for remuneration to members of the Group Management Team in 2015 that will be presented by the Board to the AGM on 23 April 2015 for approval are identical to the current guidelines.



Employees

Number of employees

The average number of employees was 2,533 (2,472). The company has employees in 14 countries. For more information about the number of employees by country, see Note 5.

General principles

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

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

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

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

Relation to the employees

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

Environmental responsibility

Environmental impact

Cloetta works to reduce its environmental impact through systematic environmental management. Cloetta's greatest environmental impact comes from water and energy consumption, wastewater emissions, waste and transports. Viewed over the entire life cycle of the products, the most significant environmental impact arises in raw material and packaging production. Cloetta complies with the statutory environmental requirements and the Group is not involved in any environmental disputes. At year-end 2014 Cloetta conducted operations at 11 factories in six countries. The two Swedish factories in Ljungsbrogård and Helsingborg are subject to reporting requirements according to the Swedish Environmental Code. These permits apply until further notice. There are no injunctions in respect of the Swedish Environmental Code.

The manufacturing units outside Sweden adapt their operations, apply for the necessary permits and report to the authorities in accordance with local legislation.

In 2014, energy consumption in the two Swedish factories in Ljungsbrogård and Helsingborg totalled 45.45 GWh (64.8), which corresponds to 1.83 MWh (2.63) per produced tonne. The CO₂ emissions generated by this amount of energy and its mix were equal to 0.10 kg CO₂ per produced kg (0.21). The volume of wastewater in 2014 totalled 1.91 m³ per produced tonne (3.76). The volume of COD in 2014 amounted to 20.83 kg per produced tonne (40.31). The volume of waste in 2014 was 50.66 kg per produced tonne (59.17) and the share of recycled waste amounted to 69.0 per cent (49.4).

Systematic environmental management

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Environmental initiatives are an integral part of Cloetta's operations and environmental aspects are taken into account when making decisions. Frequent evaluation and follow-up of measures increase awareness about the effects of different working methods on the environment. In 2014 Cloetta defined long-term group-wide targets in the environmental area. By 2020 Cloetta will decrease its energy volume and CO₂ emissions (based on energy consumption) by 5 per cent. Furthermore, the share of waste in relation to the produced volume will be reduced by 25 per cent by 2020.

Collaborative initiatives

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

In 2014 Cloetta certified its entire range of chocolate products with sustainable cocoa from UTZ-certified farmers. In 2014 Cloetta adopted a new palm oil policy in which Cloetta takes greater responsibility for preventing destruction of rainforest in the countries of origin compared to what the RSPO standard can currently offer.

A more detailed presentation of the Group's environmental policy and environmental work is provided on pages 48–49.

Future outlook

Restructurings

In 2014 Cloetta completed the major restructuring process that was started in 2012. Both the merger between Cloetta and Leaf and the closure of three factories have been implemented. During the year Cloetta also acquired two companies, Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and Aran Candy Ltd., both of which have been integrated into the Cloetta Group.

Margin expansion and growth

Much of the emphasis in 2014 was on generating profitable growth through acquisitions and continuing to realise the savings created by the closure of three of the Group's factories. The focus in 2015 will be on continued profitable growth, both organic and acquisition-driven. The savings resulting from the factory restructurings will also reach full-year effect in 2015.

Goal achievement

The Group's target is an underlying EBIT margin of at least 14 per cent. In 2014 the margin improved to 12.3 per cent. For growth, the long-term target is to increase sales organically at a rate at least equal to market growth. Normally, annual growth in the market is 1–2 per cent. In 2014 organic growth increased by 1.0 per cent.

Another of the Group's long-term targets is to reduce the net debt/EBITDA ratio to around 2.5x. At 31 December 2014 the underlying net debt/EBITDA ratio was higher and amounted to 3.97x (4.19). Through earnings growth, strong cash flows and repayment of loans, this target is expected to be reached in the coming years. With regard to dividends, the long-term intention is a payout of 40–60 per cent of profit after tax. The ambition is to continue using future cash flows for repayment of loans, but also to provide financial flexibility for complementary acquisitions and share dividends.

Financial outlook

As in earlier years, Cloetta is not issuing any financial outlook for 2015.

Events after the balance sheet date

The decline in sales and weak market development in Italy are making it necessary to adapt the organisation. Cloetta therefore intends to decrease the Italian organisation by approximately 30 employees. This is expected to give rise to some insignificant restructuring costs during the first quarter 2015.



Risks and risk management

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

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

Organisation for risk management

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

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

Identification of risks

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

other things through business intelligence and dialogue with various stakeholders.

Risk management

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

Risk overview

In Cloetta's risk management process, a number of risk areas have been identified. A selection of these and a brief description of how each risk area is handled are presented on the following pages. The Group's financial risk management is also described in more detail in Note 29, on page 123.









Pages 86–87 contain a description of the internal control processes and risk assessment aimed at preventing misstatements in the financial reporting.

Management of risks in the working environment is described on pages 38 and 51.



Industry and market-related risks

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

	Risks	Probability	Management	Impact
Market climate	The Euro crisis has had a negative impact on consumption patterns. Operations are affected in that Cloetta's customers are suffering from lower profitability, which leads to price pressure.		From a historical perspective, the confectionery market has been comparatively mildly affected by market downturns among consumers. This applies to a large extent to Cloetta's products, which most people can afford to buy. To support the customers' business and promote sound price development, Cloetta cooperates with the customers among other things through in-store sales activities.	
Competition	The confectionery market is highly competitive and home to several major players. Furthermore, grocery retailers offer private labels that compete with certain of Cloetta's products. This competition can limit Cloetta's opportunities for price increases to compensate for higher raw material costs. Cloetta may also need to increase its investments in marketing and product development in order to maintain or expand its market shares.		Cloetta competes in the market through active pricing, product innovation, product quality, brand recognition and loyalty, marketing and the ability to predict and satisfy customer preferences. It is important that Cloetta's products are perceived as providing the consumers with greater value added than the cheaper alternatives. Cloetta strives for effective marketing.	
Retail trade development	The European grocery and service trade has undergone a process of consolidation leading to the establishment of large, sophisticated players with substantial purchasing power. These major players are not necessarily dependent on individual brands and can hold back price increases and demand higher investment in marketing initiatives. They can also take over shelf space that is currently used for Cloetta's products for their own brands.		Cloetta's strong brands and market position, together with a strong sales force and close cooperation with the trade, contribute to its ability to maintain good relations with the retail trade. Cloetta also works actively with new sales channels. Cloetta has a relatively wide and diversified customer base. In 2014, Cloetta's ten largest customers accounted for around 38 per cent of the Group's total sales.	
Consumer trends Health Social responsibility	Changes in consumer behaviour give rise to both opportunities and risks. Health trends and the debate on health, weight and sugar can have a negative impact on confectionery consumption. The health trend has also spurred a growing interest in natural raw materials. In view of rapid globalisation, individual consumers are more aware of how their consumption patterns affect the environment and social/ethical conditions around the world. Consumers want to know more about product origins, manufacturing methods and raw materials. Information that Cloetta, or Cloetta's suppliers, are not taking adequate environmental or social responsibility could damage Cloetta's brand.		Health trends have not affected confectionery sales to any great extent, since confectionery is often eaten as a small luxury in everyday life. Cloetta works continuously to satisfy consumer preferences. In addition, Cloetta has an extensive offering of sugar-free products and products that promote dental health. In the long-term, Cloetta's goal is for all products to be free from artificial colours and additives (NAFNAC). Cloetta strives to include supplier codes of conduct in all agreements as far as possible, but as an individual company is unable to influence international development on its own. Cloetta's goal is to be open and, through cooperation with other confectionery producers via various organisations, to identify problem areas and contribute to improvements.	
Laws and taxes	Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to limitations in operations or place new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different countries is not entirely correct or that such rules will be changed, possibly with retroactive effect.		Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectionery taxes and fat taxes often has a short-term impact on sales. Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and the information that is available.	
Raw material prices	Price development for raw materials is steered mainly by supply and demand, and is beyond Cloetta's control. The prices of sugar and many of the other raw materials purchased by Cloetta are also affected by agro-political decisions in the EU regarding quotas, support, subsidies and trade barriers, but also by rising living standards and the activity of financial investors on the commodities exchanges.		Cloetta continuously monitors the development of raw material prices and all purchasing is carried out through a central purchasing function. To ensure access and price levels, Cloetta normally enters into supplier contracts that cover the need for raw materials for a period of 6–9 months forward. If the average raw material prices had been 10 per cent higher/lower at 31 December 2014, profit before tax for the year would have been around SEK 130m lower/higher. Cloetta's policy is to compensate for higher raw material costs by raising prices to its customers.	

Operational risks

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

	Risks	Probability	Management	Impact
Business ethics and brand risks	Demand for Cloetta's well known brands is driven by the consumers' association of these with positive values. If Cloetta or any of the Group's partners takes any measures in conflict with the values represented by the brand, the Cloetta brand could be damaged.		Cloetta takes a proactive approach to its sustainability responsibility by implementing a Code of Conduct, ethical guidelines and routines.	
Sustainability risks in the supply chain	Cloetta uses several raw materials originating from countries with high risk regarding the working environment, social conditions and corruption. In addition, political instability can have a negative impact on costs.		As far as possible, Cloetta strives to include supplier codes of conduct in all agreements. Cloetta purchases Green Palm certificates for palm oil and UTZ-certified cocoa, read more on page 45–46. Cloetta's palm oil policy goes beyond that which is required in the RSPO standard and states that by the end of 2015, Cloetta's suppliers must have a fully traceable pipeline back to known mills. By 2020 the same pipeline must be traceable down to known plantations.	
Product safety risks	Handling of food products places high demands on traceability, hygiene and safety. In a worst case scenario, inadequate control can lead to contamination or allergic reactions. Deficiencies in handling of food products can lead to lower confidence in Cloetta and the Group's brands.		Cloetta works with first-class raw materials and in accordance with international quality standards. Analyses through chemical and physical tests are performed on both raw materials and finished products. Issues of importance for product safety are gathered in special policies and there are plans for information or product recalls in the event of deficiencies.	
Insurable risks	Assets such as factories and production equipment can be seriously damaged, for example in the event of a fire or power outage. Product recalls can give rise to substantial costs, resulting from both direct costs and in the form of damage to Cloetta's reputation.		Cloetta has insurance programmes for property and liability risks, and works systematically to limit the risk for incidents.	
Relocation of production lines	To optimise efficiency, Cloetta continuously monitors capacity utilisation in production. Over the past few years up to 40 per cent of the Group's production has been relocated due to the closure of factories. Moving production from one factory to another is a complex process that can result in disruptions and delays in production, which can in turn lead to delivery problems.		Cloetta has an experienced and efficient organisation with well established routines for handling relocation of production lines.	
Access to the right expertise	To a large extent, Cloetta's future is dependent on its capacity to recruit, retain and develop competent senior executives and other key staff.		Cloetta will continue to be an attractive employer. Employee development and follow-up plans, together with market-based and competitive compensation, contribute to Cloetta's ability to recruit and retain employees.	
Environmental risks	Environmental risks arise mainly through water and energy consumption, wastewater emissions, raw material and packaging waste, production waste and transports.		Cloetta sets environmental requirements for its production and regularly monitors the company's impact on the environment, in addition to conducting systematic efforts to reduce its environmental impact.	

Financial risks

The primary financial risks are foreign exchange, financing, interest rate and credit risks. Financial risks are managed by the Group's central finance function according to the guidelines established by Cloetta's Board of Directors. The objective is to identify the Group's risk exposure and, with a certain degree of foresight, to attain predictability in the financial outcome and minimise possible unfavourable effects on the Group's

financial results in close cooperation with the Group's operating units. By consolidating and controlling these risks centrally, it is possible to minimise the level of risk while at the same time reducing the cost of measures like currency hedging. Financial risk management is described in detail in Note 29, on pages 123–124.

	Risks	Probability	Management	Impact
Foreign exchange risks	Exchange rate fluctuations affect Cloetta's financial results partly in connection with buying and selling in different currencies (transaction exposure), and partly through translation of the profit and loss accounts and balance sheets of foreign subsidiaries to Swedish kronor (translation exposure). Cloetta's presentation currency is the Swedish krona, while a majority of the subsidiaries use the Euro as their functional currency, for which reason translation exposure is significant.		The objective for Cloetta's foreign exchange management is to minimise the effects of exchange rate fluctuations by utilising incoming currency for payments in the same currency. If the Swedish krona had weakened/strengthened by 10 per cent against the Euro, the year's profit before tax would have been around SEK 50m higher/lower. The Group hedges parts of its translation exposure through borrowing in Euros.	
Refinancing and liquidity risks	Refinancing risk refers to the risk that the Group will be unable to obtain financing, or that it can be obtained only at a significantly higher cost. Due to the acquisition of the shares in Leaf during 2012, restructuring costs and a few smaller tactical acquisitions in 2014, Cloetta has a relatively high level of debt. Since the restructuring programme was concluded in 2014, a larger share of the future cash flow can be used for payment of loans.		Cash flow forecasts are performed by the operating units in the Group and are aggregated by the Group's central finance function, which continuously monitors rolling forecasts to ensure that there is always adequate liquidity to meet the needs of operating activities. In addition, the finance function monitors the Group's attainment of central key performance indicators or compliance with binding financial covenants that are attached to the Group's credit facilities. Surplus liquidity in the operating units is transferred to the Group's internal bank operations.	
Interest rate risks	Cloetta is exposed to interest rate risks in interest-bearing current and non-current liabilities. The relatively high level of debt results in exposure to interest rate risk, since the loans carry variable interest rates.		The Group continuously analyses its exposure to interest rate risk and performs regular simulations of interest rate movements. Interest rate risk is reduced by hedging a share of future interest payments through interest rate swaps. The interest rate risk on the loans from credit institutions and senior secured notes for the period from 2014 up to and including 2015 is hedged for an average of 56.6 per cent. If the interest rate had been 1 percentage point higher/lower in 2014, with all other variables held constant, profit before tax for the year would have been around SEK 20m lower/higher.	
Credit risks	Credit risk refers to the risk that a counterparty to Cloetta will be unable to meet its obligations and thereby cause a loss to the other party. Financial transactions also give rise to credit risks in relation to financial and commercial counterparties.		Credit risk in trade receivables is relatively limited in that the Group's customer base is diverse and consists mainly of large customers, and that distribution takes place primarily through the major grocery retail chains. The customers are subject to credit assessments in accordance with the credit policy and the receivables balance is monitored continuously. The Group's counterparties in financial transactions are banks and credit institutions with good credit ratings (between AA– and A-3).	
Valuation risks	The Group has a number of assets and liabilities that have been valued with the help of various experts. These include goodwill and brands/trademarks on the asset side and the pension liability and tax liabilities on the liability side.		Assets and liabilities are tested for impairment yearly or when there is an indication that such testing may be necessary. Read more in Note 11, Intangible assets on pages 105–106 and Note 34, Critical accounting estimates and judgements on page 127.	

Letter from the Chairman

In 2014 the last piece of the puzzle in the major restructuring process that was started by Cloetta nearly three years ago was put into place. As a result, the focus during the year successively shifted to profitable growth and acquisitions.



Caroline Sundewall, Board Chairman

Corporate governance creates order and systems

The Board's foremost responsibility to the shareholders is to ensure that the company is managed as effectively as possible in the interests of the shareholders, but also that Cloetta complies with the rules set out by legislators, regulatory authorities and the stock exchange. Corporate governance is aimed at creating order and systems for both the Board and the management. By having a well defined structure and clear rules and processes we can ensure that the management and employees are focused on developing the company's business. In the past year the Board's activities have been concentrated on tasks such as supporting the management team in its work related to profitable growth, customer and market focus and acquisitions. With two new Board members, including the undersigned, this has involved visits to and more in-depth knowledge about operations in the various countries.

Number of shareholders doubled

In 2014 Cloetta doubled the number of shareholders to a total of 12,694 at the end of the year. It is gratifying that so many people want to invest in Cloetta's shares. It is naturally the Board's intention to safeguard this trust and do what we can to uphold shareholder confidence in Cloetta as a company. In light of the major ownership restructuring that the company underwent at the end of 2013, the 2014 Annual General Meeting, at the recommendation of the nominating committee, decided on certain changes in Cloetta's Board of Directors.

Listed company of the year

During the year Cloetta was named "Listed Company of the Year" in a financial communication competition held by Aktiespararna and the consulting company Kanton, among other things by having the best annual report and investor website of all listed companies on the Stockholm Stock Exchange. The award is an important affirmation that Cloetta provides transparent, thorough and engaging communication, a resource that will benefit both existing and potential shareholders. In an increasingly challenging communicative world, it is vital to create clear and effective communication that delivers the intended message. This in an area where Cloetta is exceptionally competent.

Cloetta stands strong for the future

I wish to express my deep gratitude to the President, the management team and all employees, including my former and current board colleagues, for their excellent work in 2014. Thanks to your contributions, Cloetta is a stable and attractive company today. In the past year the company achieved positive sales and profitability growth and a very strong cash flow. Against this background, Cloetta stands strong for the future.

Stockholm, March 2015

A handwritten signature in cursive script that reads "Sundewall".

Caroline Sundewall
Board Chairman

Corporate governance report

The aims of good corporate governance are to create the conditions for active shareholder engagement, to uphold a clear and sound balance of power between the company's governing bodies and to ensure the provision of correct information to the market. The corporate governance report is part of the company's administration report and is reviewed by the company's auditors. The results of the review are presented in the auditor's report on page 141.

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

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

External governance systems

Cloetta AB (publ) operates under both external governance systems and the company's own internal steering systems. The external governance systems, which provide the framework for Cloetta's corporate governance, include the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, Nasdaq Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance. Governance, management and control are divided between the shareholders at the AGM, the Board of Directors and the President in accordance with Swedish corporate law, the Swedish Code of Corporate Governance and the Articles of Association.

Internal governance systems

The most important internal steering instrument consists of the Articles of Association that are adopted by the general meeting of shareholders. The Articles of Association contain obligatory information of a fundamental nature to the company. These articles specify the object of the company's operations, the size of the share capital, the voting rights attached to the different classes of shares and the permitted number of Board members. The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association. The full Articles of Association can be viewed at www.cloetta.com. Other steering instruments include the Board's work plan and the Board's instructions for the President. In addition, the Board has adopted a number of policies and instructions containing rules for the entire Group's operations, which are evaluated yearly.

Swedish Code of Corporate Governance

Since 1 July 2008, all companies whose shares are traded on Nasdaq Stockholm are required to apply the Swedish Code of Corporate Governance, regardless of their market capitalisation. Cloetta is thus subject to compliance with the Swedish Code of Corporate Governance, which is based on the "comply or explain" principle. This means that a company can deviate from the Code's provisions without this entailing a breach of the Code. However, a company that deviates from a rule in the Code must

explain the reason for doing so. Cloetta has during 2014 complied with the Code without any deviations. Complete information about Cloetta's application of the Swedish Code of Corporate Governance can be found at www.cloetta.com.

Shareholders

The class B shares in Cloetta AB (publ) have been listed on Nasdaq Stockholm since 16 February 2009 and are traded on the Mid Cap list since 2 July 2012. However, Cloetta was originally introduced on the stock exchange in 1994 and has since then been listed in a number of different owner constellations.

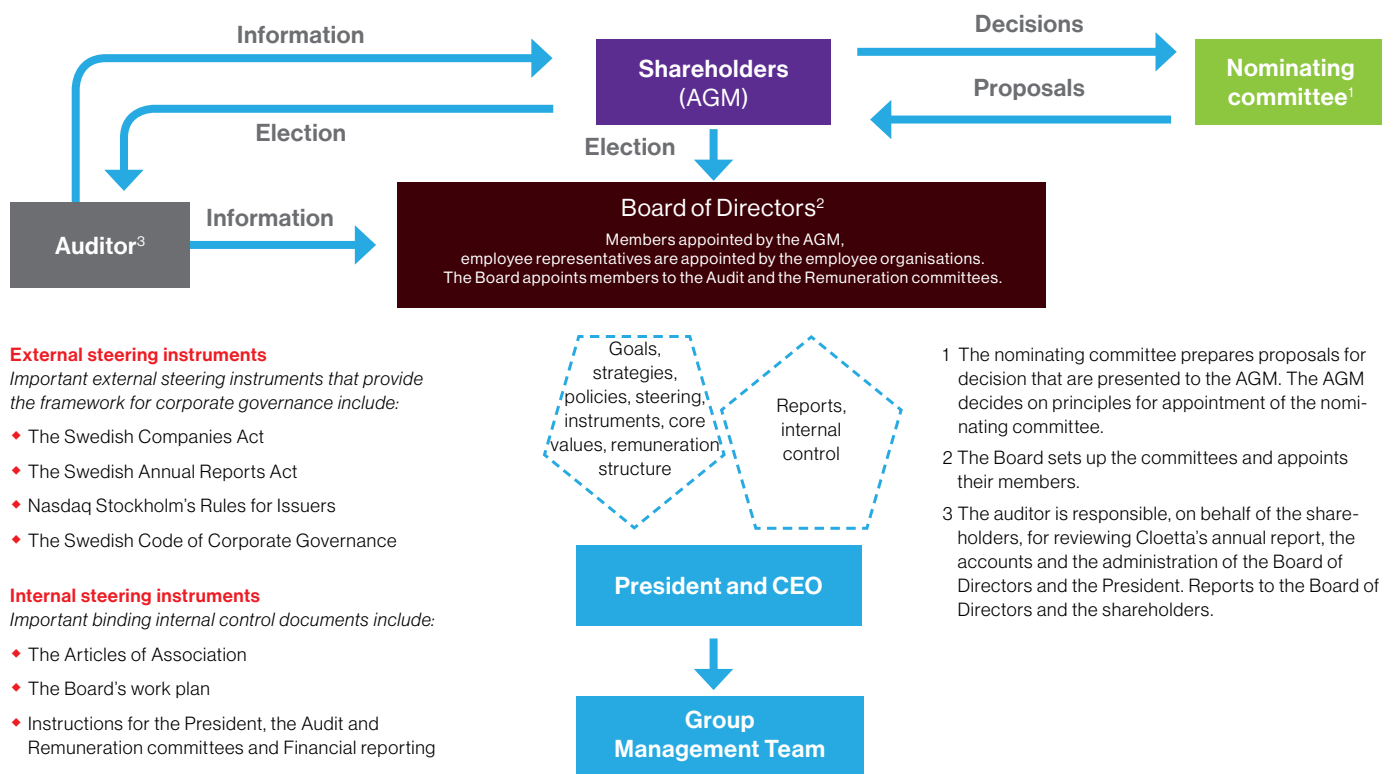
The number of shares at 31 December 2014 was 288,619,299, of which 278,757,685 were of class B and 9,861,614 were of class A. The number of shareholders was 12,694 (compared to 6,321 at 31 December 2013). Each class B share corresponds to one vote and each class A share to ten votes, although all shares carry equal entitlement to the company's assets and profits. There are no limitations regarding the number of votes a shareholder may exercise at a general meeting. The share capital amounts to SEK 1,443,096,495 and the quota value of the share is SEK 5.

Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

The largest shareholder is AB Malfors Promotor, which held 41.3 per cent of the votes and 23.2 per cent of the share capital at 31 December 2014. The second largest shareholder at year-end was AMF Försäkring och Fonder with 9.5 per cent of the votes and 12.4 per cent of the share capital, and the third largest shareholder was Threadneedle Investment Funds with 3.0 per cent of the votes and 4.0 per cent of the share capital. The ten largest shareholders accounted for 67.6 per cent of the votes and 57.6 per cent of the share capital.

In total, financial and institutional investors held 90.6 per cent of the votes and 87.8 per cent of the share capital at 31 December 2014. Foreign shareholders accounted for 17.0 per cent of the votes and 22.3 per cent of the share capital. For further information about Cloetta's shareholders and shares, see pages 55–59.

Governance structure



Individuals with an insider position

The members of the Board, the Group Management Team, authorised public accountant, a number of employees/contract personnel in Cloetta and individuals with certain functions in the Group's subsidiaries, who have a position that can normally be assumed to provide access to non-publicised share price sensitive information, have been registered with the Swedish Financial Supervisory Authority as insiders in Cloetta. These individuals are obligated to report in their holdings of financial instruments in Cloetta according to the Act on Reporting Obligations for Certain Holdings of Financial Instruments.

Listed companies are required to record a logbook of individuals who are employed or contracted by the company and have access to insider information relating to the company. These can include insiders, but also other individuals who have insider information without being registered as insiders. Cloetta records a logbook for each financial report or press release containing information that could affect the share price.

Silent periods

Cloetta maintains a silent period of at least 30 days prior to the publication of its quarterly financial reports. During this period, representatives of the Group will not meet with financial media, analysts or investors.

General meeting of shareholders

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

Cloetta's financial year runs from 1 January to 31 December. The Annual General Meeting shall be held within a period of six months after the end of the financial year. The date and location of the AGM shall be communicated on the company's website at the latest in connection with publication of the third quarter report. Notice to attend a AGM shall be given no earlier than six weeks and no later than four weeks prior to the

AGM through publication in Post- och Inrikes Tidningar (the Swedish Official Gazette) and on the company's website. At the same time, information confirming that notification has taken place shall be published in Dagens Industri. In addition, the notice is also sent by mail to all shareholders.

The AGM resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of Board members and auditor, fees to Board members and the auditor, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or by proxy. Every shareholder has the right to request that a matter be taken up at the AGM and in such case must submit a written request to the Board. In order to be taken up at the AGM, the request must be submitted to the Board no later than seven weeks prior to the AGM. In accordance with Chapter 7, 32 §, of the Swedish Companies Act, all shareholders have the right, at a general meeting of shareholders, to pose questions to the company about the matters that are taken up at the meeting and the financial situation of the company and the Group.

2014 Annual General Meeting

The latest AGM was held on 29 April 2014 in Stockholm. The AGM was attended by 158 individuals representing 69.4 per cent of the votes in the company. The AGM approved the proposals of the Board and the nominating committee regarding:

- ♦ Adoption of the balance sheet and profit and loss accounts;
- ♦ That no dividend be paid;
- ♦ Discharge from liability for the Board of Directors and CEO;
- ♦ The number of Board members elected by the AGM shall be six, with no deputies;
- ♦ Board fees were set at SEK 600,000 for the Chairman and SEK 275,000 for each of the other Board members elected by the AGM;
- ♦ Fees for work on the Board committees were set at SEK 100,000 for each member of the audit committee and SEK 50,000 for each member of the remuneration committee;
- ♦ Fees to the auditor are to be paid according to approved account;

- ♦ Re-election of sitting Board members Adriaan Nühn, Mikael Svenfelt, Olof Svenfelt and Lilian Fossum Biner. Caroline Sundewall and Ann Carlsson were elected as new Board members. The AGM elected Caroline Sundewall as new Chairman of the Board. The former Board members Lennart Bylock, Hans Eckerström, Håkan Kirstein, Robert-Jan van Ogtrop, Meg Tivéus and Peter Törnquist resigned in connection with the AGM. Aside from the members elected by the AGM, the employee organisation LIVS has appointed an employee representative and a deputy representative to the Board;
- ♦ Re-election of KPMG AB as the company's auditor to serve for the period until the end of the next AGM;
- ♦ Rules for the nominating committee;
- ♦ Guidelines for remuneration to the Group Management;
- ♦ Introduction of a share-based long-term incentive plan.

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

2015 Annual General Meeting

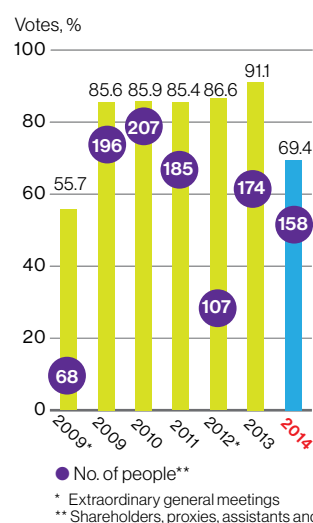
The 2015 AGM will be held on Thursday, 23 April 2015, at 4.00 p.m. at conference center 7A Odenplan, Odengatan 65 in Stockholm. The Notice of the Annual General Meeting will be published at the end of March 2015 and will contain the Board's proposals. For more information, see "Annual General Meeting" on page 149 and www.cloetta.com.

Nominating committee

In accordance with the decision of the AGM, Cloetta's nominating committee shall consist of at least four and at most six members. Of these, one shall be a representative of the Board, appointed by the Board, and three shall be members appointed by the three largest shareholders in terms of voting power. The majority of the nominating committee's members shall be independent in relation to the company and its management and at least one of these shall be independent in relation to the company's largest shareholder in terms of voting power. The members of the nominating committee ahead of the 2015 AGM were announced on 1 September 2014, see summary below. Of the appointed members, all four are independent in relation to the company and its management and three are independent in relation to the company's largest shareholder in terms of voting power.

The task of the nominating committee is to prepare recommendations to be put before the AGM for decision regarding election of Board members and the Board Chairman, fees to the Board of Directors, remuneration for committee work, election of a chairman of the AGM, election of auditors, auditing fees and rules for the nominating committee. The Board Chairman presents an annual evaluation of the Board's activities during the year to the nominating committee, which provides a basis for the nominating committee's work together with the provisions in the Swedish Code of Corporate Governance and Cloetta's own company-specific requirements.

Attendance at AGMs/EGMs



All shareholders have the right to contact the nominating committee to propose candidates for election to the Board. Proposals shall be sent to the chairman of the nominating committee by e-mail to nominationcommittee@cloetta.com.

The nominating committee's recommendations for election of Board members, board fees and auditors are presented in the notice to attend the AGM. The nominating committee ahead of the 2015 AGM has held four meetings. No fees have been paid for work on the nominating committee.

Board of Directors

According to the Articles of Association, Cloetta's Board of Directors shall consist of at least three and at most ten members elected by the AGM. The AGM on 29 April 2014 resolved that the Board shall have six members. For the period until the end of the next AGM, which will be held on 23 April 2015, the Board consists of Caroline Sundewall (chairman), Lilian Fossum Biner, Ann Carlsson, Adriaan Nühn, Mikael Svenfelt and Olof Svenfelt. In addition, the employee organisation LIVS has appointed one employee representative to the Board, Lena Grönedal, and one deputy representative, Shahram Nikpour Badr. All Board members have attended a course arranged by Nasdaq Stockholm. The average age of the Board members elected by the AGM was 56 at year-end 2014 and three of the six are women.

In accordance with the Swedish Code of Corporate Governance, the majority of the Board members elected by the AGM shall be independent in relation to the company and its management and at least two of these shall also be independent in relation to the company's major shareholders. Of the Board's six members, all are independent in relation to the company and its management and four are independent in relation to the company's major shareholders.

For information about the Board members' assignments outside the Group and shareholdings in Cloetta, see pages 88–89.

Change in the Board

Board member Lilian Fossum Biner resigned from the Board of Cloetta AB at her own request on 19 December 2014. Among other things, Lilian Fossum Biner has a seat on the board of a listed Swiss company whose Articles of Association, in accordance with Switzerland's so-called Minder Initiative, limit the number of board assignments that a board member may have in other listed companies.

The decision to leave the Board of Cloetta was a consequence of the Swiss regulations and the number of board assignments Lilian Fossum Biner has in other listed companies.

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders and ensure that the company complies with the applicable laws, the Articles of Association and the Swedish Code of Corporate Governance. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its

Nominating committee ahead of the 2015 Annual General Meeting

Members	Appointed by	Independent ¹⁾	Share of votes at 31 Dec. 2014
Christer Wagenius, chairman	AB Malfors Promotor	Yes/No	41.3%
Lars-Åke Bokenberger	AMF and AMF Fond	Yes/Yes	9.5%
Peter Rönström	Lannebo Fonder	Yes/Yes	2.7%
Caroline Sundewall	Board of Cloetta AB	Yes/Yes	-

¹⁾ Independent from the company and its management/from the company's largest shareholder in terms of voting power.

governance over the subsidiaries and that the that the company's financial accounting, financial management and financial circumstances in general can be controlled satisfactorily. At least once a year, the Board shall meet with the company's auditor without the presence of the Group Management Team, and shall continuously and at least once a year evaluate the performance of the President.

On a yearly basis, the Board reviews and adopts a work plan for its own activities and those of the Board's audit and remuneration committees. The Board also adopts instructions for the President and instructions for financial reporting. Among other things, these regulate the segregation of duties between the Board of Directors, the Board Chairman, the President and the auditor, quorum, conflict of interest, the work of the committees, internal and external reporting, routines for notice to attend general meetings, Board meetings and minutes.

In addition, the Board has issued and adopted policies for the Code of Conduct, Corporate Communications and IR, Finance, HR, Insiders, Insurance, Internal Control, IT Security and Mergers and Acquisitions.

Board meetings

In 2014 the Board held seven scheduled meetings, of which one statutory meeting, and two extra meetings. See the summary from these meetings below.

Evaluation of Board performance

The performance of the Board is evaluated yearly in order to develop the Board's working methods and efficiency. The Board Chairman is responsible for carrying out the evaluation and presenting the results to the nominating committee. The purpose of the evaluation is to gather the Board members' views on the Board's performance, what measures can be taken to improve the efficiency of board work, and whether the Board has a well balanced mix of competencies. The evaluation provides valuable input for the nominating committee ahead of the AGM. In 2014 the Chairman conducted a written survey among all Board members including the employee representatives. The results of the evaluation have been reported to both the Board and the nominating committee.

Board committees

Audit committee

In accordance with the Swedish Code of Corporate Governance, the audit committee shall consist of at least three members who are appointed by

the Board on a yearly basis. One of the members shall be chairman of the committee. In 2014 the Board's audit committee consisted of members Lilian Fossum Biner (chairman), Caroline Sundewall and Olof Svenfelt.

The majority of the committee members shall be independent in relation to the company and its management. At least one member shall be independent in relation to the company's major shareholders and have accounting or auditing expertise. Of the audit committee's three members, all are independent in relation to the company and its management and two are independent in relation to the company's major shareholders.

The work of the audit committee is regulated by special instructions that have been adopted by the Board as part of its work plan. The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control and risk management regarding financial reporting. In brief, the audit committee, without affecting the other tasks and responsibilities of the Board, shall continuously meet with the company's auditors to stay informed about the focus and scope of the audit. The company's auditor shall be invited to participate in the meetings of the audit committee.

Instructions and policies

The Board reviews and adopts the following instructions and policies on a yearly basis

- ◆ Work plan for the Board
- ◆ Instructions for the President
- ◆ Instructions for financial reporting
- ◆ Work plan and instructions for the audit committee
- ◆ Work plan and instructions for the remuneration committee
- ◆ Code of Conduct
- ◆ Corporate Communications and IR policy
- ◆ Finance policy
- ◆ HR policy
- ◆ Insider policy
- ◆ Insurance policy
- ◆ Internal Control policy
- ◆ IT Security policy
- ◆ Mergers and Acquisitions policy

Board meetings in 2014

DECEMBER

Scheduled Board meeting; budget/business plan for the coming year, bonus targets.

NOVEMBER

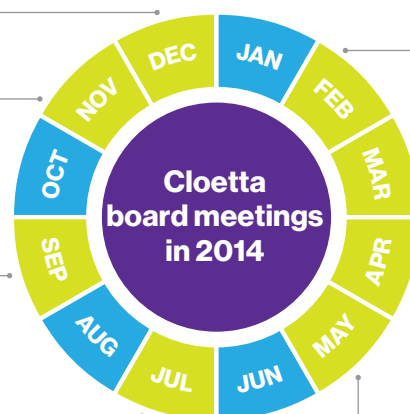
Scheduled Board meeting; interim report for the period from January to September, visit to Cloetta's factory in Turnhout, Belgium, review of the Dutch market, management review.

SEPTEMBER

Scheduled Board meeting; visit to Cloetta's factory in Cremona, Italy, review of the Italian market.

JULY

Scheduled Board meeting; interim report for the period from January to June, targets for the incentive plan.



MAY

Extra Board meeting; decision on acquisition of The Jelly Bean Factory, information about IT strategy and board liability insurance.

FEBRUARY

Scheduled Board meeting; year-end report, annual report, matters ahead of the AGM, report from the auditors, presentation of category and brand activities and evaluation of remuneration to the Group Management.

MARCH

Extra Board meeting; incentive plan for approval by the AGM.

APRIL

Scheduled Board meeting; interim report for the period from January to March.
Annual General Meeting
Statutory meeting; decision on authorised signatories, adoption of instructions and policies, election of the remuneration committee and audit committee, appointment of a board representative to the nominating committee, information about fees to the Board and committees, decision on dates and locations for the upcoming scheduled Board meetings, the AGM and reporting dates.

Other fixed items at the scheduled Board meetings have included the activities and financial results of the company and the subsidiaries, the President's situation report, production strategy, feedback from the committees, and other pertinent projects and issues.

The audit committee shall meet at least four times per financial year. Once a year the committee shall meet without the presence of any member of the Group Management Team. Minutes shall be recorded at meetings of the audit committee. The audit committee shall inform the Board about the matters dealt with by the committee. In 2014 the committee held six meetings.

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board on a yearly basis. One of the members shall be chairman of the committee. The Board's remuneration committee consists of members Mikael Svenfelt (chairman), Adriaan Nühn and Caroline Sundewall.

The majority of the committee's members shall be independent in relation to the company and its management. Of the remuneration committee's three members, all are independent in relation to the company and its management.

The work of the remuneration committee is regulated by special instructions that are adopted by the Board as part of its work plan. The main tasks of the remuneration committee are to prepare recommendations to the Board for decision on remuneration principles, remuneration levels and other terms of employment for the Group Management, to monitor and evaluate ongoing and during the year completed programmes for variable remuneration to the Group Management and to monitor and evaluate application of the guidelines for remuneration to Group Management as adopted by the AGM and of the current remuneration structures and levels in the Group.

The remuneration committee shall meet at least twice every financial year. In 2014 the committee held four meetings.

Board Chairman

The Board Chairman shall be elected by the general meeting of shareholders, and the AGM on 29 April 2014 elected Caroline Sundewall as the new Board Chairman. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties, and has special responsibility for ensuring that the work of the Board is well organised and effectively executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly and that the nominating committee is informed about the results of this evaluation.

Some of the Chairman's main duties are to:

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

President and Group Management Team

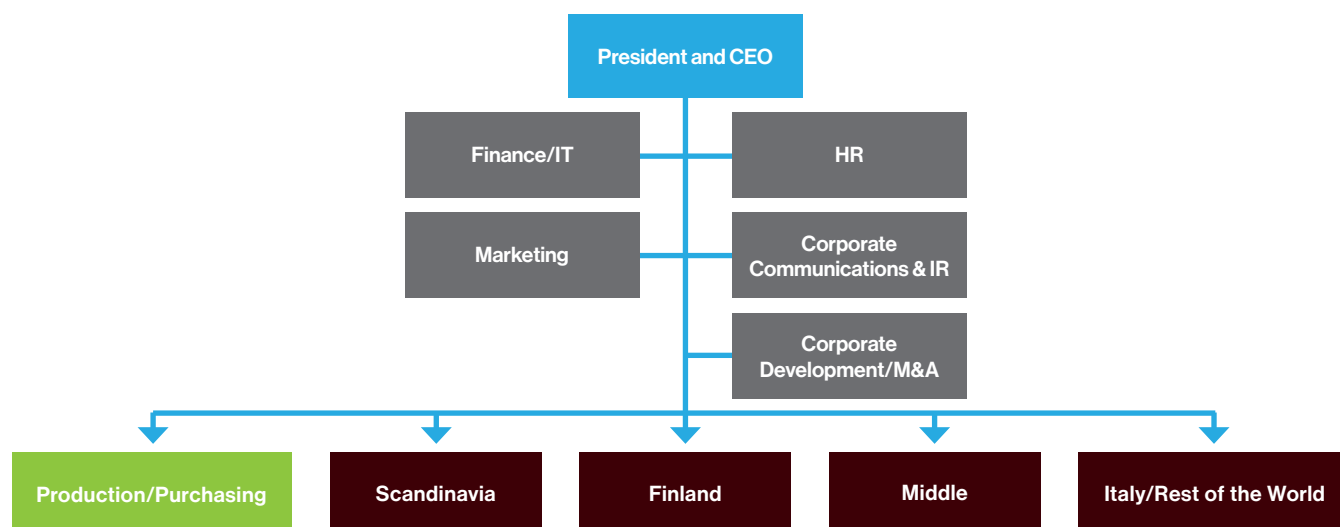
The President is appointed by the Board and supervises operations according to the instructions adopted by the Board and is responsible for day-to-day management of the company and the Group in accordance with the Swedish Companies Act. In addition, the President, together with the Chairman, decides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

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

Bengt Baron has been President of Cloetta since 16 February 2012. Aside from the President and CEO, the Group Management team consists of the four regional presidents for Scandinavia, Finland, Middle and Italy/Rest of the World, the head of Supply Chain (which includes purchasing and production) and the five heads of the central staffs Finance/IT, Marketing, HR, Corporate Communications & IR and Corporate Development/M&A. For information about the President and other members of the Group Management Team, see pages 90–91.

The Group Management Team conducts management meetings at regular intervals and held ten meetings in 2014. The meetings are focused on the Group's strategic and operative development and financial performance. In addition to these meetings, the senior executives work in close daily cooperation regarding various matters.

Organisation



Press releases in 2014, summary

January

- ♦ Acquisition of Nutisal completed

February

- ♦ Nominating committee's proposal regarding the Board of Directors
- ♦ 2013 year-end report

March

- ♦ 2013 annual report
- ♦ Notice of the 2014 Annual General Meeting

April

- ♦ Interim report Q1 2014
- ♦ Communiqué from the 2014 AGM

May

- ♦ Acquisition of The Jelly Bean Factory

June

- ♦ Cloetta wins the competition Best IR Website 2013
- ♦ New Head of Human Resources appointed

July

- ♦ Cloetta provides Coop with new pick-and-mix concept
- ♦ Interim report Q2 2014

September

- ♦ Nomination committee appointed ahead of 2015 AGM
- ♦ Cloetta wins competitions Best Annual Report and Listed Company of the Year 2013

November

- ♦ Interim report Q3 2014

December

- ♦ Lillian Fossum Biner leaves Cloetta's Board

Financial reporting

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be controlled satisfactorily and that external financial information such as interim reports and annual reports to the market is prepared in accordance with the legal requirements, relevant accounting standards and other requirements applicable to listed companies. The tasks of the Board are to oversee the Group's financial development, assure the quality of the Group's financial reporting and internal control and regularly monitor and evaluate operations.

The task of the audit committee is to support the Board in assuring the quality of the company's financial reporting. However, the audit committee deals not only with the Group's financial reports and significant accounting matters, but also matters related to internal control, compliance, reliability of reported values, events after the balance sheet date, changes in estimates and judgements and other conditions affecting the quality of the financial reports.

The President ensures that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. Cloetta AB's President is a member of the boards of all operating subsidiaries.

Every month, the Group prepares a closing of the books that is submitted to the Board and the Group Management Team. For every financial year, a profit, balance sheet and investment budget is prepared for the Group and is adopted at the scheduled Board meeting in December.

External financial information is regularly provided in the form of:

- ♦ Year-end and interim reports
- ♦ Annual reports
- ♦ Press releases about important news that is assessed to have a potential impact on the share price
- ♦ Presentations for financial analysts, investors and the media on the date of publication of the year-end report and interim reports
- ♦ Meetings with financial analysts and investors

Awards for financial communication

In the autumn of 2014 Cloetta won the overall prize Listed Company of the Year 2013 in a competition held by Aktiespararna and the consulting company Kanton following wins in the sub-categories Best IR Website and Best Annual Report and a second place in the sub-category Best Interim Report.

Guidelines for remuneration to the group management, etc.

According to the guidelines for remuneration to the Group Management and senior executives resolved on by the AGM on 29 April 2014, remuneration to the President, other members of the Group Management Team and other senior executives who report directly to the President shall consist of fixed salary, variable salary, other benefits and pension benefits. When deemed appropriate by the Board, the senior executives in question shall also be offered the opportunity to participate in share-based long-

term incentive schemes, which shall be resolved on by the general meeting of shareholders.

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

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

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

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

Information about incentive schemes at Cloetta can be found on pages 72, 103 and 119.

Auditor

The auditor is elected by the AGM for examination of the company's annual accounts and accounting records and the administration of the Board of Directors and the President. The auditors' reporting to the shareholders takes place at the AGM through presentation of the auditor's report.

The AGM on 29 April 2014 re-elected the certified auditing firm of KPMG AB as the company's independent auditor to serve during the period until the end of the next AGM. Authorised Public Accountant Helene Willberg is Auditor in Charge.



KPMG AB

Helene Willberg
Auditor in Charge.

Born: 1967.

Auditor for the company since 2007.

Authorised Public Accountant KPMG AB.

Other auditing assignments: PostNord AB, Thule Group AB, Höganäs AB, Alfa Laval AB and AB Traktion.

Previous auditing assignments: Cision AB, Investor AB, Nobia AB, Ortivus AB and Fastighets AB Balder.

Internal control over financial reporting

Cloetta applies the COSO framework for internal control over financial reporting in order to ensure correct and reliable reporting in compliance with the applicable laws and regulations, accounting standards and other requirements for listed companies.

The Board of Directors has defined the guidelines regarding roles, responsibilities and processes that are vital in maintaining good internal control.

Roles and responsibilities

The Board of Directors and the audit committee are responsible for establishing the fundamental rules and guidelines for internal control.

The audit committee assists the Board by continuously monitoring the risks that can affect the financial reporting and in the preparation of manuals, policies and accounting policies. The Board of Directors and the audit committee interact directly with the external auditors.

The CEO is responsible for the effective design and implementation of internal control within the Group.

The CFO is responsible for the design, correct implementation and proper application of the framework for internal control at the central level. The local management is responsible for the design, correct implementation and proper application at the local level, all in order to facilitate realisation of the Group's objectives.

Cloetta's accounting manual contains instructions and guidance for accounting and financial reporting. The Board's instructions for financial reporting are found in the Group's finance manual, including instructions for accounting and reporting and the finance policy.

Control environment

The foundation for Cloetta's control environment is the company's corporate culture, i.e.:

- ♦ Integrity and ethical values, with Cloetta's Code of Conduct as a platform for the rules that among other things govern financial reporting.
- ♦ The management's conduct and working methods based on a clearly defined working process that is described in the "Instructions for Accounting and Financial Reporting".
- ♦ Rules for signatory authorisation, segregation of duties and delegation of authority are clearly defined in the "Framework for Authority and Responsibilities" and in the "Rules of Procedure".

- ♦ Processes for leading and developing the employees in the organisation and the attention devoted to these issues by Cloetta's Board of Directors.

Financial reporting competencies

The executive and local managements work actively to ensure that the company has employees with the right competency in all key (financial) positions and that there are procedures in place to ensure that employees in key (financial) positions have the requisite knowledge and skills.

Human Resources (HR)

The guidelines and processes for management of human resources play a fundamental role in Cloetta's system of internal control and contribute to ensuring the effectiveness of internal control. Key processes include compensation and benefits, HR development, recruitment, allocation of resources, performance management and routines for feedback to the employees.

Risk assessment

A risk assessment evaluates the probability that a risk will occur and the consequences (impact) if this risk results in a real event. The speed (velocity) at which this risk could become a reality is also considered.

Both the local and central financial reporting are monitored and evaluated based on the impact and magnitude of risk, and are adjusted depending on their materiality.

Relevant objectives are an important prerequisite for internal control. Tax and financial risks are reviewed pro-actively on a periodic basis and all significant assessed tax, legal and financial risks are properly reflected in the consolidated financial statements.

Fraud risk


The executive management and the central finance team are responsible for preventing the risk for fraud and continuously assessing the risk for fraud with respect to the applicable attitudes, incentives, and opportunities to commit fraud.

Control activities

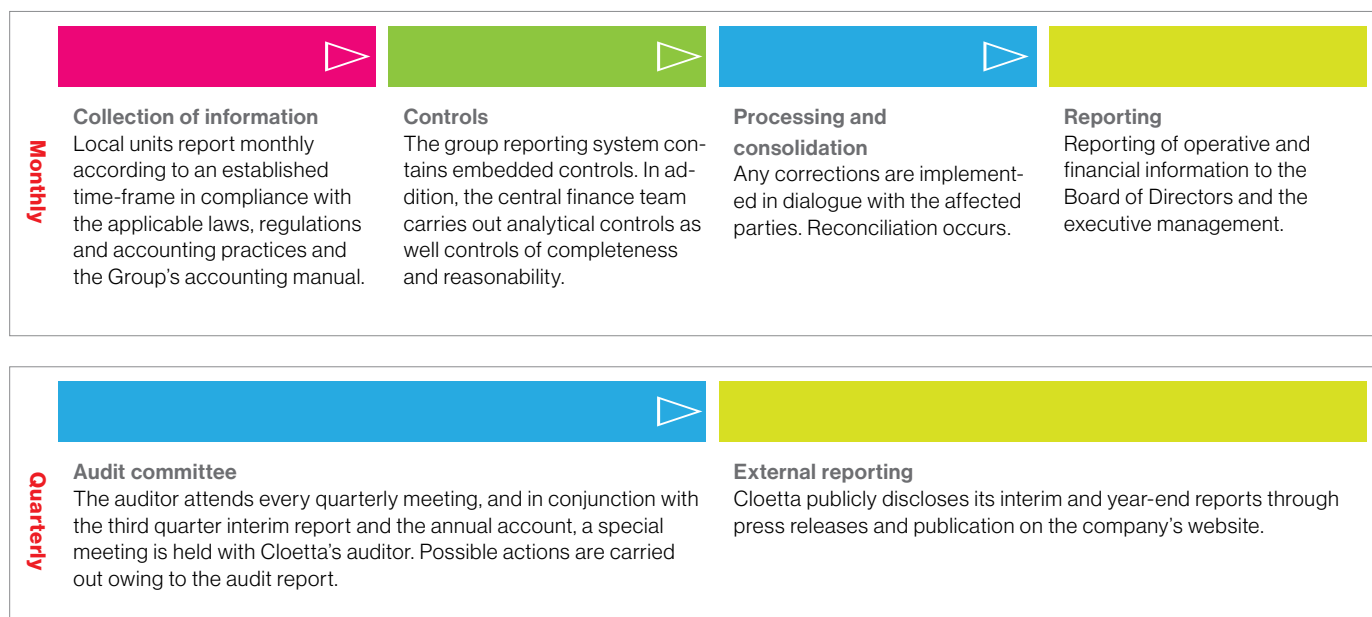
Control activities are the policies and procedures that contribute to ensuring that management's directives are carried out and that the neces-

Basis for risk assessment

<p>Existence, reported assets and liabilities exist on the reporting date.</p>	<p>Completeness, all transactions during the reporting period are recorded and reported.</p>	<p>Assets and liabilities consist of the rights and obligations that Cloetta has on the reporting date.</p>	<p>Valuation and allocation, all items in the financial reporting are reported in conformity with IFRS valuation principles and are correctly calculated and summarised and appropriately recorded.</p>	<p>Presentation and disclosure, items in the financial reports are properly described, sorted and classified.</p>
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Process for financial reporting



sary actions are taken to address risks that may hinder the achievement of the company's objectives.

Control activities are found at all levels of the organisation and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

The controls are embedded in Cloetta's business processes and play a key role in ensuring effective internal control in the company. The local management is responsible for having all required control activities in place and maintained within their respective units. The Group CFO is responsible for ensuring that all control activities are operational and maintained at the central level. As far as possible, the control activities should be automated, but there are also manual control activities in place to verify that the automated controls are functioning as intended.

The continuous reviews that are performed by the central and local managements, and that are incorporated into all business transactions and processes, are an important part of Cloetta's monitoring controls. The local management is responsible for ensuring that relevant laws and regulations are complied with in their respective areas of responsibility. Every identified risk is covered by one or more control activities. All control activities and identified business risks are linked to each other.

Monitoring and improvement

If potential weaknesses are found, internal control audits are performed to ensure the effectiveness of the internal control. Such audits are performed based on the standards applied by external auditors.

Internal control deficiencies that are detected through the ongoing monitoring activities or separate evaluations are reported upstream and corrective actions are taken to ensure continuous improvement of the internal controls. Every quarter the non-adjusted but signalled deficiencies in internal or external reporting are reported in the quarterly review memo and discussed with the involved persons and the members of the Group Management.

Information and communication

An effective internal control system requires sufficient, timely and reliable information, both financial and non-financial, relating to both internal and external events and activities.

Pertinent information is identified, captured and used at all levels of the company, and is distributed in a form and time-frame that supports the achievement of the financial reporting objectives. As far as possible, management reporting is directly linked to the financial reporting and consolidation tool.

Cloetta has a predefined reporting package that is distributed on a monthly basis to the Board of Directors and Group Management. The management reporting package provides both operating and financial information.

The timeliness and accuracy of internal and external reporting are safeguarded through the use of corporate planning and a regular meeting schedule. The information and communication in the internal and external reports are reviewed at the group level.

Internal communication

Effective communication ensures the information flows in the organisation. Separate communication channels are used to communicate internally, based on what is most effective.

External communication

It is also important to maintain effective communication about relevant policies with external parties such as customers, suppliers, regulators and shareholders.

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

Evaluation of the need for a separate internal audit function

There is currently no internal audit function in place at Cloetta. The Board has examined this topic and found that the existing structures for follow-up and evaluation provide satisfactory documentation. For some special reviews, external resources can also be used. This decision is reviewed yearly.

Board of Directors



Caroline Sundewall

Chairman of the Board

Member of the audit committee
Member of the remuneration committee

Elected on: 29 April 2014

Born in: 1958

Nationality: Swedish

Education: M.Sc. in Business Economics, Stockholm School of Economics.

Other assignments: Board member of Hemfosa, Cramo, Lifco, Södra Skogsägarna and Mertzig Asset Management. Chairman of the Board of Tennisstiftelsen Streber Cup. Since 2001 she runs her own business, Caroline Sundewall AB, mainly taking on board assignments but also consulting assignments.

Previous assignments: Has previously worked on the boards of Svolder, TeliaSonera, Electrolux, Haldex, Pågen and Ahlsell. She has worked for banks in Stockholm and London, as a business journalist at Dagens Industri and Affärsvärlden, as a business controller at Ratos, as head of business editorial and as a columnist at Sydsvenskan and as a columnist at Finanstidningen.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 20,000 class B shares.

Related parties: –



Ann Carlsson

Board member

Elected on: 29 April 2014

Born in: 1966

Nationality: Swedish

Education: Staff Administration, Stockholm University.

Other assignments: CEO of Apoteket AB. Member of the Board of Martin&Servera and Ruter Dam. Member of SNS board of trustees.

Previous assignments: Has held several positions within ICA – most recently as Director of Business Areas, and previously, among other positions, as Business Manager of Ica Kvantum and ICA Nära. She has long and extensive experience of the Swedish grocery retail sector.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 9,900 class B shares.

Related parties: –



Lilian Fossum Biner

Board member until 18 December 2014. Lilian resigned from the Board at her own request.

Chairman of the audit committee

Elected on: 11 April 2013

Born in: 1962

Nationality: Swedish

Education: M.Sc. in Business Economics, Stockholm School of Economics.

Other assignments: Board member of Oriflame Cosmetics S.A., Thule Group AB, Nobia AB, L E Lundbergföretagen AB, a-connect AG and Givaudan SA.

Previous assignments: Lilian has previously worked at McKinsey & Co Inc, AB Electrolux and Axel Johnson AB. She has long experience in areas such as financial control, strategic pricing, HR issues and multi-branding strategy.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 5,500 class B shares.

Related parties: –

Composition of the Board

Elected by the AGM	Nationality	Year elected	Born in	Fees ¹			Attendance ³		
				Board fees	Committee fees	Independent ²	Board meetings	Audit committee	Remuneration committee
<i>Chairman</i>									
Caroline Sundewall	Swedish	2014	1958	600,000	150,000	Yes/Yes	7/7	5/5	3/3
<i>Member</i>									
Ann Carlsson	Swedish	2014	1966	275,000	–	Yes/Yes	7/7		
Lilian Fossum Biner ⁴	Swedish	2013	1962	275,000	100,000	Yes/Yes	6/7	4/5	
Adriaan Nühn	Dutch	2012	1953	275,000	50,000	Yes/Yes	7/7		3/3
Mikael Svenfelt	Swedish	2008	1966	275,000	50,000	Yes/No	7/7		3/3
Olof Svenfelt	Swedish	2008	1941	275,000	100,000	Yes/No	7/7	5/5	

1 Fees refer to set amounts during the period from the AGM on 29 April 2014 until the AGM on 23 April 2015. Board fees shall be paid in an amount of SEK 600,000 to the Board Chairman and SEK 275,000 to each of the other members elected by the AGM. Members of the audit committee shall received fees of SEK 100,000 each and members of the remuneration committee fees of SEK 50,000 each. For further details, see Note 6.

2 Independent in relation to the company and its management/in relation to the largest shareholder.

3 Attendance refers to meetings during the period from the statutory meeting following the AGM on 29 April 2014 until the publication of this annual report in March 2015.

4 Lilian Fossum Biner resigned from the Board at her own request on 19 December 2014.



Adriaan Nühn
Board member

Member of the remuneration committee

Elected on: 15 February 2012

Born in: 1953

Nationality: Dutch

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

Other assignments: Board chairman of Sligro Food Group N.V. Board member of Kuoni AG, Plukon Foodgroup N.V., Anglovaal Industries Ltd., WWF the Netherlands and HG International B.V.

Previous assignments: CEO and Board chairman of Sara Lee International and has held a number of assignments within the Sara Lee Corporation and Procter & Gamble.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 198,363 class B shares.

Related parties: –



Mikael Svenfelt
Board member

Chairman of the remuneration committee

Elected on: 25 August 2008

Born in: 1966

Nationality: Swedish

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

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

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

Independent:

in relation to major shareholders: No

in relation to the company and management: Yes

Shareholding

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

Related parties: –



Olof Svenfelt
Board member

Member of the audit committee

Elected on: 25 August 2008

Born in: 1941

Nationality: Swedish

Education: M.Sc. Engineering, Faculty of Engineering, LTH, Lund University and LLB, Stockholm University.

Other assignments: Board member of AB Malfors Promotor, Highland Group AB, Hjalmar Svenfelts Stiftelse, Wilhelm Stenhammars Stiftelse and Georg Hultners Stiftelse.

Previous assignments: Board Chairman of Cloetta AB and Deputy Chairman of Cloetta Fazer AB. Board member of Stiftelsen Hagdahlsakademien.

Independent:

in relation to major shareholders: No

in relation to the company and management: Yes

Shareholding

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

Related parties: 9,855,954 class A shares and 57,375,661 class B shares.

Employee board member



Lena Grönedal
Employee board member,
Swedish Food Workers' Union (LIVS)

Elected on: 5 November 2008

Born in: 1962

Nationality: Swedish

Position: Factory Operative, Cloetta Produktion Sverige AB

Shareholding

Direct: –

Related parties: –

Deputy employee board member



Shahram Nikpour Badr
Employee board member,
Swedish Food Workers' Union (LIVS)

Elected on: 11 April 2013

Born in: 1963

Nationality: Swedish

Position: Factory Operative, Cloetta Produktion Sverige AB

Shareholding

Direct: –

Related parties: –

Holdings of shares at 31 December 2014

Group Management Team



Bengt Baron

CEO and President since 16 February 2012.

Employed by Leaf since 2009.

Born in: 1962

Nationality: Swedish

Education: B.S., University of California at Berkeley, MBA, University of California, Berkeley, USA.

Other assignments:

Board chairman of MIPS AB. Board member of Thule Group AB and 5653 Sweden AB.

Previous assignments/positions:

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

Shareholding Direct: 125,909 class B shares.

Related parties: 1 135 class B shares.



Giorgio Boggero

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

Employed by Leaf since 2009.

Born in: 1969

Nationality: Italian

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

Other assignments:

Board member of Carioca Srl.

Previous assignments/positions:

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

Shareholding Direct: 8,543 class B shares.

Related parties: –



Jacob Broberg

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

Employed by Leaf since 2010.

Born in: 1964

Nationality: Swedish

Education:

B.A. in Political Science and Economics, Lund University, Sweden.

Other assignments: –

Previous assignments/positions:

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

Shareholding Direct: 20,000 class B shares.

Related parties: –



Jacqueline Hoogerbrugge

President Operations since 16 February 2012.

Employed by Leaf since 2010.

Born in: 1963

Nationality: Dutch

Education: M.Sc. Chemical Engineering, University of Groningen, the Netherlands.

Other assignments: Board member of Cederroth Intressenter AB.

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

Shareholding Direct: 9,026 class B shares.

Related parties: –



Danko Maras

CFO since 16 February 2012.

Employed by Leaf since 2010.

Born in: 1963

Nationality: Swedish

Education:

B.Sc. in Business Administration and Economics, Uppsala University, Sweden.

Other assignments: –

Previous assignments/positions: CFO of LEAF, 2010–2012, CFO/COO at Unilever Nordic, 2007–2010, VP Finance Supply Chain at Unilever North America, 2004–2006, Head of Unilever Corporate Finance Western Europe & Personal Assistant to the Group Treasurer at Unilever Head Office, the Netherlands, 2000–2003, Chief Accountant at Unilever Cosmetics International Switzerland, 1997–2000, Corporate Auditor at Unilever, 1993–1996, Management Trainee at Unilever Sweden, 1992–1993. Danko has also been board chairman of Slottsfabriken Fastighets AB.

Shareholding Direct: 161,624 class B shares.

Related parties: –



David Nuutinen

President Finland since 16 February 2012.

Employed by Leaf since 2003.

Born in: 1959

Nationality: Finnish

Education:

M.Sc. Economics, Helsinki School of Economics, Finland.

Other assignments:

Board chairman of Kamux Oy. Board member of Splizzeria Oy.

Previous assignments/positions:

President of Leaf Finland, 2005–2012, Commercial Director at Leaf Finland, 2003–2005, General Manager of PepsiCo Beverages, Finland, Baltics, Ukraine, 2000–2002, Operations Director at McDonalds Finland, 1996–2000, various marketing and sales positions at Vaasanmylly Oy, 1986–1996. In the past five years David has completed assignments as a board member of Turun Vapaavarasto Oy and DNA Oy.

Shareholding Direct: 14,608 class B shares.

Related parties: –



Regina Ekström

Senior Vice President Human Resources since 1 January 2015.
Senior Vice President Human Resources until 31 December 2014 was Edwin Kist.

Employed by Leaf since 2004.

Born in: 1963

Nationality: Swedish

Education:

B.Sc. in Business Administration and Economics, Lund University, Sweden.

Other assignments:

Board member of LI.

Previous assignments/positions:

SVP Human Resources Scandinavia at Cloetta/Leaf, 2004–2014, SVP Human Resources Nordic at Findus, 2000–2004, HR Manager Sweden/Nordic at Nestlé, 1995–2000, Trainee, Product Manager, Human Resources Manager, Marketing Manager at Mars Sweden and U.K, 1987–1995.

Shareholding Direct: 7,989 class B shares.

Related parties: –



Johnny Engman

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

Employed by Cloetta since 2012.

Born in: 1977

Nationality: Swedish

Education:

M.Sc. in Economics and Business Administration, Stockholm School of Economics.

Other assignments: Board member of Menigo AB.

Previous assignments/positions:

Director at Nordic Capital Advisory AB, 2004–2012, where he has worked with companies in various sectors, including retail and fast-moving consumer goods. Management Consultant at McKinsey & Company in Stockholm, 2001–2004. Board member of StudentConsulting AB, 2006–2010, Luvata Ltd., 2007–2009 and Saferoad AS, 2008–2013.

Shareholding Direct: 12,204 class B shares.

Related parties: –



Ewald Frény

President Middle since 16 February 2012.

Employed by Leaf since 2000.

Born in: 1963

Nationality: Dutch

Education:

M.Sc. Economics, Erasmus University Rotterdam, the Netherlands.

Other assignments: –

Previous assignments/positions:

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

Shareholding Direct: 15,375 class B shares.

Related parties: –



Lars Pålsson

President Scandinavia since 16 February 2012.

Employed by Leaf since 2008.

Born in: 1959

Nationality: Swedish

Education: B.A. Economics and Marketing, Växjö University, Sweden, PED IMD Lausanne, Switzerland.

Other assignments: Board chairman of DLF Serviceaktiebolag and Abdon Mills Group. Board member of GS1 Sweden AB.

Previous assignments/positions:

President Scandinavia at Leaf, 2008–2012, President of Campbells Nordic, 2005–2008, Senior Vice President Carlsberg Nordic, 2001–2005, Managing Director Falcon Brewery, 1998–2001, Vice President Nestlé Nordic Findus, 1996–1998, Marketing Director Nestlé Sweden, 1994–1996, various positions in sales and marketing at Nestlé Sweden and Nestlé Switzerland 1982–1994.

Shareholding Direct: 35,603 class B shares.

Related parties: –



Erwin Segers

Chief Marketing Officer since 1 March 2012.

Employed by Leaf since 2010.

Born in: 1967

Nationality: Belgian

Education:

M.Sc. Business and Economics, University of Antwerp, Belgium.

Other assignments: –

Previous assignments/positions:

Marketing Director at Leaf Holland, 2010–2012, Senior Marketing Director at Philips, 2006–2010, Marketing Director at Cadbury Netherlands (part of KRAFT), 2002–2006. Several senior positions in marketing and sales at Sigma Coatings, Hero and Maxxium, 1990–2002.

Shareholding Direct: 11,112 class B shares.

Related parties: –

Notes to the consolidated financial statements

Note 1 General information and accounting and valuation policies of the Group

General information

Cloetta AB (publ), corporate identification number 556308-8144, is a Swedish-registered limited liability company domiciled in Linköping, Sweden. The company's head office is in Stockholm with address Kista Science Tower, SE-164 51 Kista, Sweden. The consolidated financial statements for the financial year from 1 January to 31 December 2014 include the accounts of the Parent Company and its subsidiaries (collectively the "Group" and individually the "group companies").

The annual report and consolidated financial statements were approved for publication by the Board of Directors on 5 March 2015. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the AGM on 23 April 2015 for adoption.

Financial year

These financial statements include the consolidated financial information for the Group covering the period from 1 January to 31 December 2014.

Disclosures regarding changes in group structure

Incorporations

- On 6 May 2013 Cloetta Italia S.r.l. incorporated Cloetta USA Inc.
- On 8 May 2013 Cloetta Holland B.V. incorporated Cloetta GGS Holding Ltd.
- On 23 May 2014 Cloetta Holland B.V. incorporated Cloetta Ireland Holding Ltd.

Business combinations

Acquisition of FTF Sweets Ltd.

On 21 May 2013, GGS Holding Ltd. (a 100 per cent indirect participation of Cloetta AB (publ)) acquired 100 per cent of the shares of the British candy company FTF Sweets Ltd. which owns the brand Goody Good Stuff. FTF Sweets Ltd. holds 100 per cent of the shares of FTF Sweets USA Inc.

See Note 28 for further information.

Acquisition of Alrifai Nutisal AB

On 8 January 2014, Cloetta Holland B.V. (a 100 per cent direct participation of Cloetta AB (publ)) acquired 100 per cent of the shares of the Swedish nut company Alrifai Nutisal AB (currently known as Cloetta Nutisal AB), which owns the brand Nutisal.

See Note 28 for further information.

Acquisition of Aran Candy Ltd.

On 28 May 2014, Cloetta Ireland Holding Ltd. (a 100 per cent indirect participation of Cloetta AB (publ)) 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. The Irish candy company Aran Candy Ltd. owns The Jelly Bean Factory brand.

See Note 28 for further information.

Mergers

- On 9 March 2013 Cloetta International AS and Cloetta A/S merged into Cloetta Norge AS.
- On 31 December 2013 Leaf Leasing Oy merged into Cloetta Suomi Oy.
- On 1 September 2014 Saila S.p.A. merged into Cloetta Italia S.r.l.
- On 23 December 2014 AB Karamellpojarna merged into Cloetta Produktion Sverige AB.

Liquidations

- On 29 January 2013 Leaf UK Ltd. was liquidated.
- On 28 April 2014 Albisol Education & Conference Ltd. was liquidated. See Note P10 for more information.

Compliance with legislation and accounting standards

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU, with some supplementary requirements in the Annual Accounts Act. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2014. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

Activities

The activities of the Group mainly comprise:

- the sale, marketing and production of branded sugar and chocolate confectionery products and nuts, and
- the trade of sugar and chocolate confectionery products and nuts.

The countries of the European Union and Norway form the most important markets.

Basis of presentation

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are stated at fair value according to the accounting policies described below.

Unless otherwise stated, all amounts are rounded to the nearest million of Swedish krona.

The preparation of financial statements in conformity with IFRS requires management to use certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these estimates and assumptions are used to make judgements about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are reported in the period of the change, if the change affects that period only. Changes in estimates are reported in the period of the change and future periods, if the change affects both.

Note 34 provides a description of judgements made by the company's management in the application of IFRS that have a significant impact on the financial statements, and estimates that can lead to significant adjustments in the financial statements of later years.

Unless otherwise stated below, the following accounting standards for the Group have been consistently applied in periods presented in the consolidated financial statements. The accounting standards for the Group have been consistently applied in reporting and consolidation of the Parent Company and the subsidiaries.

Segment reporting

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

Within the Cloetta group four regions have been identified as the Group's operating segments. The vast majority of sales take place within the markets for "Munchy Moments", i.e. inexpensive cold snacks between the main meals, in Western Europe, which are comparable. It is management's goal to realise production efficiency through homogeneity in production processes in the different production facilities throughout the Group regardless of their location. The Group has sales mainly within the "Munchy Moments" segment, with comparable markets and customers. The Group has an integrated distribution network and supply chain organisation. The identified operating segments are assessed to have similar economic characteristics.

As a result of these consistencies between the different regions, for financial statement reporting purposes, the operating segments are aggregated into one reportable segment. For information about the Group's sales and earnings development and financial position, see the consolidated profit and loss accounts, balance sheet and cash flow statement.

Classification

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or settled after more than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within 12 months from the balance sheet date.

Basis of consolidation Group Structure

The company was originally founded in 1862. On 16 February 2012, Cloetta AB (publ) acquired Leaf Holland B.V. (currently known as Cloetta Holland B.V.) from Leaf Holding S.A. (currently known as Yllop Holding S.A.). The acquisition was carried out partly through a cash payment (SEK 100m) and partly through the issue of a vendor loan note (SEK 1,400m (which was fully repaid in May 2012)), as well as an issue in kind of Cloetta shares (SEK 2,556m). The acquisition was completed on 16 February 2012. The acquisition has been accounted for as a reverse acquisition for consolidation purposes, where Leaf Holland B.V. is the accounting acquirer and Cloetta AB (publ) is the legal acquirer.

All incorporated and acquired companies except for Aran Candy Ltd. are 100 per cent directly or indirectly owned by Cloetta AB (publ) and consolidated without non-controlling interests from the date on which control is transferred. The put/call construction of Aran Candy Ltd. is treated as a forward purchase of the shares. Aran Candy Ltd. is consolidated without non-controlling interests.

Subsidiaries

The consolidated accounts include financial information for Cloetta AB (publ) and its group companies. Group companies are all entities in which Cloetta AB (publ) has a controlling influence. Control is achieved when the company directly or indirectly has the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights, so as to obtain benefits from its activities. In assessing whether a controlling influence exists, potential voting equity interests that can be immediately exercised or converted are taken into account. As part of the acquisition of Aran Candy Ltd., Cloetta entered into a put/call construction on the class 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 purchase of the Class A shares. Aran Candy Ltd. is consolidated without non-controlling interests. Consequently, all group companies are fully consolidated from the date on which control is transferred to Cloetta AB (publ). They are deconsolidated from the date that control ceases. All subsidiaries are consolidated without non-controlling interests.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss account.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. A subsequent change to the fair value of the contingent consideration that is deemed to be a liability is recognised in accordance with IAS 32 (in the case of the forward purchase of shares) or IAS 39 either in the profit and loss account or as a change to other comprehensive income (only if it is an asset which is classified as available for sale). Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests in the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit and loss account.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit and loss account.

Note P10 provides an overview of all subsidiaries consolidated in the consolidated financial statements of Cloetta AB (publ).

Transactions eliminated on consolidation

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

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Foreign currency

Functional and presentation currency

Items included in the financial information of each of our entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of foreign entities generally is local currency. The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company.

The consolidated financial statements are presented in SEK. The functional currency of the majority of the subsidiaries is euro (EUR). The assets and liabilities are translated at the closing rate at the date of the financial statements. Income and expenses are translated at the average exchange rate for the year.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or the date of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within exchange differences on borrowings and cash and cash equivalents in foreign currencies (Net financial items).

The Group applies hedge accounting on the investment in trademarks in Cloetta Suomi Oy and Cloetta Holland B.V. To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income and accumulated in the translation reserve. Any remaining differences are recognised in the profit and loss account. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit and loss account as part of the gain or loss on disposal.

A monetary item, held by a subsidiary, that is a receivable from or a payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, is in substance a part of the entity's net investment in that foreign operation. Foreign currency differences are initially recognised in other comprehensive income and reclassified from equity to profit and loss account on disposal of the net investment. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation, recognised in other comprehensive income is reclassified from equity to the profit and loss account when the gain or loss on disposal is recognised.

On consolidation, exchange differences arising from the translation of the borrowings and other currency instruments designated as hedges of such investments and the net investment in foreign operations are recognised in other comprehensive income.

All other foreign exchange gains and losses are presented in the profit and loss account within operating profit.

Financial statements of foreign operations

The profit and loss accounts and balance sheets of all group companies (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- ♦ Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ♦ Income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- ♦ All resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, unrealised exchange differences deferred in currency translation adjustments after 1 January 2006 (first-time adoption of IFRS) are recycled to the profit and loss account as part of the gain or loss on the sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities in the functional currency of the attributable foreign entity and translated at the closing rate.

Basis of accounting

Except for the changes explained in Note 35, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

I	Net sales
II	Cost of goods sold
III	Other income
IV	Selling expenses
V	General and administrative expenses
VI	Employee remuneration
VII	Net financial items
VIII	Income tax
IX	Dividend distribution
X	Non-recurring items
XI	Intangible assets
XII	Property, plant and equipment
XIII	Deferred tax
XIV	Financial assets
XV	Impairment of non-current assets
XVI	Derivative financial instruments and hedging activities
XVII	Inventories
XVIII	Receivables
XIX	Current income tax
XX	Cash and cash equivalents
XXI	Offsetting financial instruments
XXII	Non-current assets held for sale and discontinued operations
XXIII	Equity
XXIV	Other non-current liabilities
XXV	Provisions
XXVI	Employee benefits
XXVII	Borrowings
XXVIII	Borrowing costs
XXIX	Trade payables
XXX	Leases

The balance sheet, profit and loss account and cash flow statement include references to the notes.

Recognition of revenue and expenses

I Net sales

Net sales are designated as income from the supply of goods, less discounts and similar, excluding sales taxes and after elimination of intra-group sales. Net sales also include royalty income.

Net sales are recognised as follows:

- ♦ Sales of goods are recognised when a group entity has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and the collectability of the related receivables is reasonably assured;
- ♦ To a limited extent and applicable to retail channels only, seasonal products in Italy are sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Consumer incentive and trade promotion activities are recorded as a reduction in net sales based on amounts estimated as being due to customers and consumers at the end of a period, based principally on historical utilisation and redemption rates.

II Cost of goods sold

Cost of goods sold represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the production of products.

III Other income

Government grants and subsidies, other than those related to investments in property, plant and equipment, are recorded at fair value as other income in the profit and loss account in the period in which the related costs are recorded, income is received, or subsidised deficits are recorded. Grants and subsidies are recognised as income when there is reasonable assurance that all the conditions will be satisfied and it is probable that these will be received.

Gains on disposal of assets are determined by comparing the proceeds from disposal with the carrying amount and are recognised in other income in the profit and loss account.

Discontinuation fees received on cancellation of third-party distribution agreements are recognised in other income in the profit and loss account.

IV Selling expenses

Selling expenses comprise the cost of brand support through direct and indirect advertising, promotional activities, the cost of supporting sales and marketing efforts and amortisation of related intangible assets. The company promotes its products through advertising, consumer incentives and trade promotions. Such programmes include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. Advertising costs are expensed as incurred.

V General and administrative expenses

General and administrative expenses include the costs of general management, human resources, finance and administration, information technology, and other back office services as well as amortisation of related intangible assets.

VI Employee remuneration*Regular payments*

Salaries, wages and social security costs are charged to the personnel expenses which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account over the period when the related services are rendered and in accordance with employment contracts and obligations.

Termination benefits

A provision is recognised on the termination of employees as a result of either an entity's decision to terminate employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Share-based long-term incentive plans

The expenses for the share-based long-term incentive plans, which represent the grant date fair value of the shares multiplied by the shares vested and any social securities, are recognised in personnel expenses which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account.

VII Net financial items

Financial income and financial expenses are recognised using the effective interest method.

VIII Income tax

The income tax expense for the period comprises current and deferred tax and is recognised in the profit and loss account. Corporate income tax is calculated on profit before tax in the profit and loss account, taking into account non-deductible expenses, non-taxable profit and losses and/or temporary differences arising from applicable substantially enacted local tax laws and other factors that affect the tax charge (e.g. changes in valuation allowances, adjustments in tax positions and tax law changes, such as tax rate changes).

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted on the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable profits.

IX Dividend distribution

The distribution of dividends to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are resolved on by the company's shareholders.

X Non-recurring items

Non-recurring items are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence in order to enable a full understanding of the Group's financial performance. The non-recurring items are recognised in net sales, other income, cost of goods sold, selling expenses and general and administrative expenses, depending on the nature of the items.

Principles of valuation of assets and liabilities**General**

If not specifically stated otherwise, assets and liabilities are initially recognised at the amounts at which they were acquired or incurred.

XI Intangible assets*Trademarks*

Acquired trademarks are measured at historical cost. In view of the history of Cloetta's trademark portfolio, combined with Cloetta's commitment to continue supporting these trademarks with advertising and promotion resources and continuous product development, the useful lives of Cloetta's trademarks are considered to be indefinite in nature. Trademarks with indefinite useful lives are not amortised, but are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets and liabilities assumed by the acquiree and the fair value of any non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. A group of CGUs is not larger than an operating segment.

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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Software

Where computer software is not an integral part or a related item of computer hardware and not integral to the operation of an item of property, plant and equipment, the software is treated as a separate intangible asset.

Acquired software licenses are capitalised at historical cost and amortised over their estimated useful lives of 3 to 5 years.

Capitalised costs for internally generated software include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

These costs are amortised over their expected useful life on a straight-line basis, with the useful lives reviewed annually. Other software-related costs that do not meet the above criteria for capitalisation are recognised in the general and administrative expenses in the profit and loss account as incurred. Development expenses previously recognised in the profit and loss account are not recognised as an asset in a subsequent period.

Software under construction is not amortised until the software is substantially complete and ready for its intended use. Software under construction is subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Right of free electricity

The indefinite right of free electricity acquired is capitalised at acquisition cost. In view of the indefinite nature of the right, the right is not amortised, but is subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Research and development expenses

Expenses for research are recognised in the general and administrative expenses in the profit and loss account as incurred. Expenses incurred on development projects are recognised as intangible assets when it is probable that a project will generate economic benefits in the future, in view of its commercial and technological feasibility, and the costs can be measured reliably. Otherwise the expenses are recognised in the profit and loss account as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. The capitalised development expenditure is amortised over its expected useful life on a straight-line basis, with the useful lives reviewed annually. Development expenses previously recognised in the profit and loss account are not recognised as an asset in a subsequent period. Capitalised research and development expenses are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Other intangible assets

Other intangible assets are capitalised at historical cost and amortised based on their useful lives, with the useful lives reviewed annually.

Expenses previously recognised in the profit and loss account are not recognised as an asset in a subsequent period. Other intangible assets are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

For determining whether an impairment charge in respect of any intangible asset applies, see Note 11.

XII Property, plant and equipment

Items of property, plant and equipment are valued at historical cost less depreciation and impairment. Historical cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs including interest expenses. Depreciation is accounted for using the straight-line method on the basis of the estimated useful life. Government grants are deducted from the historical cost or the construction costs of the assets to which they relate.

Other assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual values, as follows:

Buildings	20–50 years
Machinery and equipment	3–55 years
PP&E under construction	n/a

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount and are recognised in other income in the profit and loss account.

Subsequent expenditure is included in the carrying amount of an asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account for the financial period in which they are incurred.

Subsidies and grants related to investments in property, plant and equipment are deducted from the related asset and are reflected in the profit and loss account as part of the depreciation charge.

XIII Deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be used.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal, the temporary difference is not recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same

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taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are not discounted.

XIV Financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit and loss account) are recognised initially on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Loans, receivables, capitalised registration fees and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans, receivables and capitalised registration fees are carried at amortised cost using the effective interest method.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset are realised, expire, or the company has relinquished the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

XV Impairment of non-current assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also assesses whether there are indications of impairment of assets that are subject to amortisation or depreciation. If there are such indications, an impairment test is performed. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its carrying value is higher than its recoverable value, where the recoverable value is the higher of an asset's fair value less costs to sell and its value in use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). Impairment costs are recognised immediately as an expense in the profit and loss account.

Non-financial assets other than goodwill that are subject to an impairment loss are reviewed for possible reversal of the impairment at each reporting date. If it is established that a previously recognised impairment no longer applies or has decreased, the increased carrying amount of the asset in question is not set higher than what the carrying amount would have been if the impairment had not been recognised.

XVI Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The following hedge types are applicable within the Group:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in net financial items in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group does not meet the requirements for applying fair value hedge accounting and, as a result, all gains or losses relating to these financial instruments are recognised in net financial items in the profit and loss account.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in net financial items in the profit and loss account. Amounts accumulated in equity are reclassified to profit and loss account in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps to hedge variable rate borrowings is recognised in net financial items in the profit and loss account. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of non-current assets. The Group does not meet the requirements for applying cash flow hedge accounting and, as a result, all gains or losses relating to these financial instruments are recognised in net financial items in the profit and loss account.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in exchange differences on borrowings and cash and cash equivalents in foreign currencies in net financial items in the profit and loss account. Gains and losses accumulated in other comprehensive income are included in the profit and loss account when the foreign operation is partially disposed of or sold. The Group has met the requirement for applying net investment hedge accounting.

The fair values of various derivative financial instruments are disclosed in Note 22. Movements on the hedging reserve in other comprehensive income are shown in the statement of comprehensive income. The fair value of a derivative is classified as a non-current asset or liability for the part which exceeds 12 months, and as a current asset or liability for the part that will expire within 12 months.

The fair value adjustment on interest rate swaps is recognised in unrealised gains or losses on single currency interest rate swaps in net financial items in the profit and loss account. The fair value adjustment on the forward foreign currency contracts is recognised in the cost of goods sold in the profit and loss account.

XVII Inventories

Raw materials are valued at the lower of cost or net realisable value. Cost is determined using the FIFO method (first in, first out).

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Costs in respect of work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing

overhead costs based on normal operating capacity and variable manufacturing overhead costs based on actual production during the period.

Net realisable value represents the estimated selling price in the ordinary course of business less directly attributable, applicable variable selling expenses and less costs of completion of inventory.

XVIII Receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within selling expenses.

When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the profit and loss account.

XIX Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

XX Cash and cash equivalents

Cash and cash equivalents represent cash in hand and cash at banks. Current account overdrafts at banks are included under borrowings under the heading current liabilities.

XXI Offsetting financial instruments

The Group has a Notional Group Account with Svenska Handelsbanken. If the following criteria are met, the cash and cash equivalents of participating group companies and the current account overdrafts at Svenska Handelsbanken are offset and presented in the balance sheet as a net amount:

- ♦ There is a legally enforceable right to offset the recognised amounts; and
- ♦ There is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

XXII Assets held for sale and discontinued operations

An asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Assets are classified as held for sale when they are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets, and the sale is considered highly probable. Assets held for sale are no longer amortised or depreciated from the time they are classified as such. Assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Operations that represent a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively with a view to resale and have either been disposed of or classified as held for sale, are presented as discontinued operations in the profit and loss account.

XXIII Equity

Ordinary shares are classified as share capital. Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

XXIV Other non-current liabilities

The fair value of the contingent considerations is calculated using the income approach and is linked to the financial performance of the acquired companies. As part of accounting for business combinations, contingent consideration is initially recognised. Contingent consideration is discounted using the cost of equity. If the fair value of a contingent consideration deviates from the recognised contingent consideration, the difference is recognised in general and administrative expenses in the profit and loss account.

If the contingent consideration will be settled within 12 months from the balance sheet date, the contingent consideration is presented as a current liability.

XXV Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, when it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any item included in the same class of obligations is small.

The initial recognition, subsequent additions and releases to a provision are recognised in the related cost category in the profit and loss account.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as other financial expenses in the profit and loss account.

If the expenditure to settle an obligation is expected to be recovered from a third party, the recovery is carried as an asset in the balance sheet if it is virtually certain to be received upon settlement of the obligation.

XXVI Employee benefits

Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds for all countries in the Eurozone. For the Swedish plans, the discount rate is based on mortgage bonds. For the Norwegian pension plans, in the previous year the market yield on government bonds was used. As of the current year, the market yield of covered bonds is used for the Norwegian plans. The rates of these bonds are used as equivalent to high quality corporate bond rates in countries where there is no deep market in such bonds.

Remeasurements arising from defined benefit plans also include the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). Remeasurements are recognised in other comprehensive income when incurred. All other expenses related to defined benefit plans are recognised in employee benefit expenses in the profit and loss account when incurred. The interest on defined benefit obligations is recognised in net financial items in the profit and loss account when incurred.

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The defined benefit schemes in industry sector pension funds, which are held by pension funds that are not able to provide company-specific or reliable information, are accounted for as though they were defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

The contributions are recognised as personnel costs, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available to the Group.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for special compensation. A provision is recognised on the termination of employees as a result of either an entity's decision to terminate employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The expenses related to this provision are recognised in personnel expenses, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account.

Share-based payments

Call option arrangement

No costs related to share-based payment are recognised, since the company has no obligation to settle the transaction. The options have been acquired at fair market value.

Share-based long-term incentive plans

The incentive plans qualify as equity-settled share-based payments. The expenses for the plans will amount to the grant date fair value per share right times the number of share rights vested (including any accelerated vesting). The expenses are recognised as personnel expenses, which are included either in cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account. The total expense depends on the number of shares right vested but any changes in the price of Cloetta share after the grant date do not impact the total expense. In some jurisdictions, social security expenses have to be paid. The total expense for social security contributions will be based on the vesting date fair value of the Cloetta share. Social security expenses recognised in the profit and loss account will therefore vary with changes in the share price.

Forward contracts to repurchase own shares

At inception of the forward contract to repurchase own shares, the agreed consideration to be paid at the termination date, net of any tax effects, is recognised as a deduction from equity and as a financial liability. The interest costs directly attributable to the forward contract are recognised in the profit and loss account in the period in which they are incurred. At the termination date, the agreed consideration will be paid and the financial liability will be derecognised as its contractual obligation is discharged and cancelled.

XXVII Borrowings

Borrowings are initially recognised at fair value, being the amount received taking into account any premium or discount, and less transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowing costs paid on the establishment of loan facilities are recognised as transaction costs for the loan to the extent that it is probable that some or all of the facility will be drawn down. In such case, the borrowing

costs are recognised when the draw-down occurs. If it is probable that some or all of the facility will be drawn down, the borrowing costs are reported as deferred expense and netted against current borrowings and amortised over the contract period the facility relates to, using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date (non-current liabilities).

When borrowings from a shareholder are extinguished for consideration other than fair value, the difference between the consideration and the carrying amount of the borrowing is accounted for as an equity contribution.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expired.

XXVIII Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, for which borrowing costs are included in historical cost, is deducted from the borrowing costs that are eligible for capitalisation.

All other borrowing costs are recognised in other financial expenses in the profit and loss account in the period in which they are incurred.

XXIX Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If payment is expected to be settled after 12 months after balance sheet date, the payable is presented as a non-current liabilities.

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

XXX Leases

Finance leases

Leases of assets for which substantially all the risks and rewards of ownership have been transferred to the Group are classified as finance leases. When the lease contract is entered into, the assets are capitalised in the balance sheet at their fair value, or the present value of the minimum lease payments, if lower. The lease amounts payable are split on an annuity basis between a redemption and interest component, based on a fixed interest rate. The related lease obligations, excluding the interest element, are recognised under interest-bearing borrowings. The related assets are depreciated over the remaining economic life or, if shorter, the term of the lease. The depreciation costs are recognised in the cost of goods sold or in the general and administrative expenses in the profit and loss account, depending on the nature of the lease. The interest component is recognised in the other financial expenses in the profit and loss account.

Operating leases

Lease contracts for which a significant part of the risks and rewards incidental to ownership of the assets does not lie with the Group are recognised as operating leases. Payments made under operating leases are recognised in the cost of goods sold or in the general and administrative expenses in the profit and loss account on a straight-line basis over the term of the contract, taking into account reimbursements received from the lessor.

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Note 2 Breakdown of income

See Notes 1 (I) and (III) for the accounting policy.

SEKm	2014	2013
<i>Net sales</i>		
Sales of goods		
Sugar confectionery	2,737	2,480
Chocolate confectionery	913	864
Pastilles	859	863
Chewing gum	385	376
Nuts	139	–
Other	280	310
Total net sales	5,313	4,893
<i>Other income</i>		
Other	5	12
Total	5,318	4,905

Other income in 2014 consists of the book gains on the sale of a brand and the book gains on assets sold to third parties. Other income in 2013 consisted of the sale at market value of a property by Cloetta AB (publ) to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, book gains on the sale of a brand and book gains on assets sold by auction in relation to the supply chain restructuring.

The breakdown of the net sales by country to the customers is as follows:

%	2014	2013
Sweden	32	33
Finland	18	18
Italy	14	15
The Netherlands	12	13
Norway	5	5
Denmark	5	4
Other countries	14	12
Total net sales	100	100

No individual customer accounts for more than 10 per cent of Cloetta's total net sales.

Note 3 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

See Notes 1 (II), (V), (XI) and (XII) for the accounting policy.

SEKm	2014	2013
Software	27	16
Other intangibles	3	2
Land and buildings	16	14
Machinery and equipment	155	145
Total amortisation/depreciation	201	177
<i>Amortisation/depreciation has been allocated by function as follows</i>		
Cost of goods sold	163	151
Selling expenses	4	4
General and administrative expenses	34	22
Total amortisation/depreciation	201	177
<i>Impairment</i>		
Intangible assets	–	1
Property, plant and equipment	2	6
Total impairment	2	7

In 2013, the impairment losses on intangible assets have been charged to general and administrative expenses. In both 2013 and 2014, the impairment losses on property, plant and equipment have been charged to cost of goods sold.

Note 4 Expenses by type

SEKm	2014	2013
Raw materials and consumables used including change in inventory of finished goods and work in progress	2,049	1,755
Personnel expenses (See Note 5)	1,194	1,245
Depreciation, amortisation and impairment charges (see Note 3)	203	184
Transportation expenses	159	152
Operating lease payments (See Note 33)	69	78
Advertising and promotion	386	371
Selling and marketing	66	59
Energy expenses	92	99
Maintenance expenses	88	77
Other operating expenses	435	467
Total operating expenses	4,741	4,487

The costs charged to the profit and loss account relating to research and development amount to SEK 39m (33).

Note 5 Personnel expenses and number of employees

See Note 1 (VI) for the accounting policy.

Personnel expenses are specified as follows:

SEKm	2014	2013
<i>Salaries and remuneration</i>		
Group Management		
– Sweden	19	20
– Other	12	16
<i>Of which, bonuses</i>		
– Sweden	1	7
– Other	0	4
Other employees		
– Sweden	241	277
– Other	558	579
Total salaries and remuneration	830	892
<i>Pension costs</i>		
Group Management		
– Defined contribution plans	6	7
Total pension costs, senior executives	6	7
Other employees		
– Defined contribution plans	49	36
– Defined benefit plans	13	12
Total pension costs, other employees	62	48
Total defined contribution plans	55	43
Total defined benefit plans	13	12
Total pension costs	68	55
Other social security expenses, all	235	246
Total pensions and other social security expenses	303	301
Other personnel costs, all	61	52
Total personnel expenses	1,194	1,245

The average number of employees is as follows:

	2014	2013
<i>Average number of employees</i>		
– Group Management	11	11
– Other employees	2,522	2,461
<i>Of whom, women</i>		
– Group Management	1	1
– Other employees	1,264	1,250

The average number of employees by country is as follows:

	2014	2013
<i>Average number of employees</i>		
Sweden	586	633
Slovakia	677	657
Italy	464	467
The Netherlands	343	347
Finland	185	167
Belgium	105	103
Norway	41	47
Denmark	34	32
Ireland	77	–
Germany	7	7
UK	8	5
Other	6	7
Total	2,533	2,472
<i>Of whom, women:</i>		
Sweden	277	302
Slovakia	446	439
Italy	190	213
The Netherlands	94	87
Finland	152	133
Belgium	24	21
Norway	20	27
Denmark	17	16
Ireland	31	–
Germany	3	4
UK	6	4
Other	5	5
Total	1,265	1,251

Specification of the gender distribution in company management is as follows:

%	2014	2013
<i>Percentage of women</i>		
Board of Directors	50	20
Group Management	9	9
Other employees	50	51

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Note 6 Remuneration to senior executives

Remuneration and benefits in 2014 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligation
<i>Board Chairman</i>							
Caroline Sundewall ⁴	400	–	–	–	100	500	–
Lennart Bylock	167	–	–	–	17	184	–
<i>Board members</i>							
Lilian Fossum Biner ⁶	253	–	–	–	67	320	–
Olof Svenfelt	267	–	–	–	100	367	–
Adriaan Nühn	267	–	–	–	33	300	–
Mikael Svenfelt	267	–	–	–	50	317	–
Ann Carlsson ⁴	183	–	–	–	–	183	–
Hans Eckerström ⁵	83	–	–	–	50	133	–
Meg Tivéus ⁵	83	–	–	–	33	116	–
Peter Törnquist ⁵	83	–	–	–	33	116	–
Håkan Kirstein ⁵	83	–	–	–	–	83	–
Robert-Jan van Ogtrop ⁵	83	–	–	–	17	100	–
<i>President</i>							
Bengt Baron	4,680	2,547 ⁷	121	1,402	–	8,750	6,129
Other senior executives (10 persons)	20,466	8,204 ⁸	1,400	4,925	296	35,291	3,542
of which, Parent Company	8,035	3,938 ⁸	396	2,294	–	14,663	3,542
Total	27,365	10,751	1,521	6,327	796	46,760	9,671
of which, Parent Company	14,934	6,485	517	3,696	500	26,132	9,671

Remuneration and benefits in 2013 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligation
<i>Board Chairman</i>							
Lennart Bylock	500	–	–	–	75	575	–
<i>Board members</i>							
Hans Eckerström	250	–	–	–	175	425	–
Lilian Fossum Biner ¹	188	–	–	–	–	188	–
Olof Svenfelt	250	–	–	–	100	350	–
Meg Tivéus	250	–	–	–	100	350	–
Peter Törnquist	250	–	–	–	125	375	–
Håkan Kirstein	250	–	–	–	–	250	–
Adriaan Nühn	250	–	–	–	–	250	–
Robert-Jan van Ogtrop	250	–	–	–	50	300	–
Mikael Svenfelt	250	–	–	–	75	325	–
<i>President</i>							
Bengt Baron	4,656	500 ²	131	1,373	–	6,660	1,955
Other senior executives (10 persons)	19,994	2,355 ³	1,219	5,300	428	29,296	1,243
of which, Parent Company	8,331	1,342 ³	443	2,458	–	12,574	1,243
Total	27,338	2,855	1,350	6,673	1,128	39,344	3,198
of which, Parent Company	15,675	1,842	574	3,831	700	22,622	3,198

1 Elected as of 11 April 2013.

2 The amount is not including variable remuneration payable in 2014 for activities performed in 2013.

The variable remuneration paid out in 2014 for performance related to 2013 amounted to SEK 2,032,815, of which SEK 2,032,815 related to the Parent Company.

3 The amount is not including variable remuneration payable in 2014 for activities performed in 2013.

The variable remuneration paid out in 2014 for performance related to 2013 amounted to SEK 6,504,269, of which SEK 3,308,604 related to the Parent Company.

4 Elected as per 29 April 2014.

5 Resigned on 29 April 2014.

6 Resigned on 18 December 2014.

7 The amount is not including variable remuneration payable in 2015 for activities performed in 2014.

The variable remuneration expected to be paid out in 2015 for performance related to 2014 amounts to SEK 0.

8 The amount is not including variable remuneration payable in 2015 for activities performed in 2014.

The variable remuneration expected to be paid out in 2015 for performance related to 2014 amounts to SEK 0.

- The figures in the table and text refer to the most recently adopted guidelines for remuneration to the Board and senior executives decided at the AGM on 29 April 2014.
- Variable remuneration refers to bonuses and the costs for the share-based long-term incentive plan, and is linked to predetermined and measurable criteria.
- Other benefits refer mainly to company car benefits.
- Other remuneration refers to compensation for work on the audit and remuneration committees, as well as to expense allowances paid out to other senior executives.

Board of Directors

Remuneration to the Board of Directors is determined by decision of the AGM. The AGM on 29 April 2014 resolved that remuneration for the period until the next AGM to each of the members of the Board elected by the general meeting shall be paid in an amount of SEK 275,000 (250,000) and remuneration to the Board Chairman shall be paid in an amount of SEK 600,000 (500,000). Furthermore, remuneration for committee work shall be paid in an amount of SEK 100,000 (100,000) to each member of the audit committee and in an amount of SEK 50,000 (50,000) to each member of the remuneration committee. Aside from board fees, the Board is entitled to compensation for travel and accommodation.

Guidelines for remuneration to Group Management

The current guidelines for remuneration to Group Management were adopted at the AGM of Cloetta on 29 April 2014.

Remuneration to the President, other members of Group Management and other key employees reporting directly to the President shall consist of fixed salary, variable salary, other benefits and pension. To the extent considered appropriate by the Board of Directors, Group Management and other key employees were offered the opportunity to participate in share-based long-term incentive plans, which shall be decided annually by the general meeting. Any variable salary should be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The company shall strive to have defined contribution pension plans. The retirement age shall be not less than 60 years and not more than 67 years.

The Board of Directors may deviate from these guidelines only in individual cases where there is special reason.

President

During the year, the President Bengt Baron received salary of SEK 4,679,571 (4,656,473) variable salary of SEK 2,547,286 (500,000) and other benefits of SEK 121,000 (130,660).

The structure of the variable salary for Bengt Baron has been set so that an annual variable salary equal to a maximum 100 per cent of fixed annual salary is payable on the attainment of extraordinary performance targets.

The retirement age is 65 years. Pension benefits consist of a defined contribution plan for which annual premiums up to the age of retirement are paid in an amount equal to 30 per cent of pensionable salary, comprising fixed monthly salary. Variable salary and benefits are not pensionable. Total pension costs for 2014 amount to SEK 1,402,452 (1,373,329).

The term of notice for the President is six months. In the event of dismissal by the company, the term of notice is 12 months. The President is also entitled to termination benefits corresponding one fixed annual salary.

Other Group Management

During the year, the other members of Group Management (ten individuals) received total salaries of SEK 20,465,990 (19,993,702), variable salaries of SEK 8,204,455 (2,355,000) and other benefits of SEK 1,399,652 (1,218,838).

The structure of variable salary to the other members of Group Management has been set so that an annual variable salary of between 60 per cent and 100 per cent of fixed annual salary is payable on the attainment of extraordinary performance targets.

Pension benefits vary depending on the agreements and practices in the country where the person is employed, but in almost all cases they consist of defined contribution plans for which annual premiums are paid as part of pensionable salary up to the age of retirement. In almost all cases, variable salary and benefits are not pensionable. Total pension costs for 2014 amount to SEK 4,924,607 (5,299,581).

The terms of notice for the other members of Group Management are six months on the part of the employee and vary between 12 and 18 months on the part of the company.

Incentive schemes

In 2012 Cloetta's principal shareholders at that time, AB Malfors Promotor, Nordic Capital and CVC (through holding companies), issued call options that members of Group Management have acquired on market terms. The call options have been granted by the aforementioned principal shareholders in order to promote commitment to the company's development. During the first quarter of 2015, all remaining options were exercised.

In both 2013 and 2014 the AGM approved the Board's proposal regarding the introduction of a share-based long-term incentive plan (LTI 2013 and LTI 2014) to align the interests of the shareholders on the one hand with those of the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation. Total costs related to the share-based long-term incentive plans that were recognised in 2014 for the Group Management amount to SEK 2.7m (0.9), of which SEK 0.7m (0.1) is related to the President.

See Notes 24, 30 and 32 for further details about share-based payments.

Preparatory and decision-making process

The Board of Directors has set up a remuneration committee consisting of three members. The remuneration committee has prepared recommendations for the Board's decision on issues relating to remuneration principles, the amount of remuneration and the terms of employment for the Group Management Team. These recommendations have included the proportional relationship between fixed and variable remuneration and the size of any salary increases. The remuneration committee has also discussed pension terms and termination benefits.

Remuneration to the President for the financial year 2014 has been determined by the Board. Remuneration to other senior executives has been determined by the President. Since the AGM on 29 April 2014, the remuneration committee has met on four occasions. The proposed guidelines for remuneration to Group Management in 2015 that will be presented to the AGM on 23 April 2015 for approval are identical to the current ones.

Note 7 Non-recurring items

See Note 1(X) for the accounting policy.

The non-recurring items of SEK -55m (-167) consist of costs related to costs from the factory restructurings and integration, as well as the acquisition of FTF Sweets Ltd., Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and Aran Candy Ltd.

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Note 8 Audit fees

SEKm	2014	2013
Fee for auditing services	5	5
<i>Fees for other services</i>		
– Tax advice	0	0
– Audit-related advice	0	0
– Other	1	1
Total other services	1	1
Total audit fees	6	6

Auditing services refer to the audit of the consolidated financial statements, the Parent Company's statutory financial statements, the statutory financial statements of its subsidiaries, the accounts and company's administration by the Board of Directors and the President.

For both financial years 2013 and 2014, KPMG was elected as the auditor of the Group.

Note 9 Net financial items

See Note 1 (VII) for the accounting policy.

SEKm	2014	2013
Exchange differences in borrowings and cash and cash equivalents in foreign currencies	-11	-12
Other financial income, third parties	4	2
Other financial income at amortised cost	4	2
Unrealised gains on single currency interest rate swaps ¹	–	22
Other financial income at fair market value	–	22
Total other financial income	4	24
Interest expenses, third-party borrowings	-138	-131
Interest expenses, third-party pensions	-13	-12
Interest expenses, contingent earn-out liabilities	-14	–
Amortisation of capitalised financing costs	-19	-38
Other financial expenses, third parties	-17	-17
Other financial expenses at amortised cost	-201	-198
Unrealised losses on single currency interest rate swaps ¹	-23	0
Realised losses on single currency interest rate swaps ¹	-8	-22
Other financial expenses at fair market value	-31	-22
Total other financial expenses	-232	-220
Net financial items	-239	-208

¹ The unrealised gains and losses on single currency interest swaps consist of the fair value adjustment of the currency interest swaps over time. The realised losses on single currency interest rate swaps are the contractual payments.

Note 10 Income taxes

See Note 1 (VIII) for the accounting policy.

SEKm	2014	2013
Current income tax	-3	-7
Deferred income tax	-93	61
Total	-96	54
The year's income tax expense corresponds to an effective tax rate of, %	28.4	-25.7

The difference between the effective tax rate and the applicable tax rate in Sweden is attributable to the following items:

SEKm	2014	2013
Profit before tax from ordinary activities	338	210
Tax calculated at applicable tax rate for the Parent Company	-74	-46
International rate differences	-4	-6
State and local taxes	-7	-7
Expenses not deductible for tax purposes	-6	-3
Adjustments recognised in the period for tax of prior periods	0	10
Effect of rate changes	–	18
Tax losses for which no deferred income tax asset is/was recognised	-7	68
Other	2	20
Tax benefit/(expense)	-96	54
Reported effective tax rate, %	28.4	-25.7
Tax rate of Parent Company, %	22.0	22.0

The applicable tax rate is based on the enacted tax rate for the Parent Company, which is the Swedish corporate income tax rate for 2014 of 22.0 per cent (22.0).

The effective tax rate differs from the applicable tax rate mainly due to international tax rate differences, expenses not deductible for tax purposes and tax losses for which no deferred tax asset was recognised. This is partially offset by the effect of a reassessment of a deferred tax asset recognised for unused tax credits recorded in the tax losses for which no deferred income tax asset is/was recognised.

The weighted average applicable tax rate is based on the relative proportion of the group companies' contribution to profit and loss account and the tax rates ruling in the countries concerned.

Note 11 Intangible assets

See Notes 1 (XI) and (XV) for the accounting policy.

Historical cost SEKm	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2013					
Acquisition or production costs	3,101	1,999	159	28	5,287
Accumulated amortisation and impairments	–	–80	–99	–9	–188
Book value at 1 January 2013	3,101	1,919	60	19	5,099
Movements in 2013					
Business combinations	8	19	0	10	37
Additions	–	–	29	0	29
Exchange differences	60	45	1	0	106
Divestments	–	–	0	–	0
Impairment	–	–	–1	–	–1
Amortisation	–	–	–16	–2	–18
Total	68	64	13	8	153
31 December 2013					
Acquisition or production costs	3,169	2,065	190	39	5,463
Accumulated amortisation and impairments	–	–82	–117	–12	–211
Book value at 31 December 2013	3,169	1,983	73	27	5,252
Movements in 2014					
Business combinations	238	125	–	–	363
Additions	–	–	62	–	62
Exchange differences	113	116	6	0	235
Amortisation	–	–	–27	–3	–30
Total	351	241	41	–3	630
31 December 2014					
Acquisition or production costs	3,520	2,310	249	39	6,118
Accumulated amortisation and impairments	–	–86	–135	–15	–236
Book value at 31 December 2014	3,520	2,224	114	24	5,882
<i>Estimated economic useful life</i>	<i>indefinite</i>	<i>indefinite</i>	<i>3–5 years</i>	<i>5 years – indefinite</i>	

Software amortisation of SEK 27m (16) is included in general and administrative expenses. The impairment losses on software have been charged to general and administrative expenses (see Note 3).

The carrying amount of software includes an amount of SEK 14m (10) for software under construction, of which SEK 12m relates to the implementation of an ERP system that was under construction at year-end 2014.

The other intangibles consist mainly of benefits related to the right to free electricity and a capitalised recipe.

All of the recognised trademarks except for Goody Good Stuff, Nutis-al and The Jelly Bean Factory have been pledged for the benefit of Svenska Handelsbanken AB and the holders of senior secured notes (see Note 21).

Impairment testing of goodwill and trademarks

Goodwill and trademarks do not generate cash inflows that are largely independent of those from other assets. These are therefore allocated to the cash-generating unit (CGU) or group of CGUs expected to benefit most from these assets. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. A group of CGUs is not larger than an operating segment.

The estimated recoverable amount of all CGUs and groups of CGUs has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, taking into account asset specific risks. Cash flows beyond the five-year period are extrapolated using the estimated growth rate.

Most of the important assumptions in the calculations are based on the anticipated growth rate and pre-tax discount rate. EBIT and organic sales growth are key assumptions when establishing the financial budgets. These assumptions reflect and do not differ from prior experience and external information sources. The assumed growth target is in line with the Group's long-term goal for organic growth and the management's judgement.

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These assumptions have been used for the analysis of each CGU and group of CGUs within the impairment analysis. The budgeted figures are based on past performance and management's expectations of market development. The weighted average growth rates used are consistent with the forecasts used within the Group. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry and the risk particularly associated with the asset for which the estimates of the future cash flows have not been adjusted.

For impairment testing, the following assumptions have been used:

%	Terminal growth rate		Pre-tax discount rate	
	2014	2013	2014	2013
South/Italy	2	2	10	12
Scandinavia/Sweden	2	2	7	9
Finland	2	2	7	9
Middle/The Netherlands	2	2	8	9
Group	2	2	8	9

Goodwill

Goodwill needs to be allocated to a CGU or group of CGUs not larger than an operating segment. The allocation has been made to the groups of CGUs that correspond to the operating segments that are expected to benefit most, which are the commercial organisations of Scandinavia, Finland, Middle and South. The goodwill related to the purchase price allocation of the acquired companies Cloetta Nutisal AB and Aran Candy Ltd. has been allocated to the CGUs Scandinavia and Middle, respectively.

The estimated recoverable amount of the groups of CGUs of South exceeds its carrying amount by approximately SEK 38m (93). If the growth rate decreases by 0.2 percentage points to 1.8 per cent (0.7 percentage points to 1.3 per cent) or the pre-tax discount rate increases by 0.2 percentage points to 10.5 per cent (0.7 percentage points to 12.5 per cent) the estimated recoverable amount of the CGU will be equal to its carrying amount.

The following summary specifies the allocation of goodwill to the different groups of cash-generating units:

SEKm	Scandinavia	Finland	Middle	South	Total
Opening balance at 1 January 2013	638	881	161	239	1,919
Business combination	–	–	19	–	19
Exchange rate differences	–	31	6	8	45
Closing balance at 31 December 2013	638	912	186	247	1,983
Business combination	61	–	64	–	125
Exchange rate differences	40	53	9	14	116
Closing balance at 31 December 2014	739	965	259	261	2,224

Trademarks

For trademarks, the related CGUs are the commercial organisations of the countries that own the respective trademarks. The trademarks for the acquired brands Nutisal and The Jelly Bean Factory have been allocated to the CGUs Sweden and the Netherlands respectively. Products are mainly sold in the countries owning the trademarks. If products are sold by group companies in other countries, the trademark owner charges royalty fees to the selling party.

The following summary specifies the allocation of trademarks to the different cash-generating units:

SEKm	Sweden	Finland	The Netherlands	Italy	Other (corporate assets)	Total
Opening balance at 1 January 2013	1,308	444	617	685	47	3,101
Addition	–	–	–	–	8	8
Exchange rate differences	–	15	21	23	1	60
Closing balance at 31 December 2013	1,308	459	638	708	56	3,169
Addition	147	–	91	–	–	238
Exchange rate differences	–	27	41	42	3	113
Closing balance at 31 December 2014	1,455	486	770	750	59	3,520

The estimated recoverable amount of the CGU of Italy exceeds its carrying amount by approximately SEK 217m (179). If the growth rate decreases by 1.6 percentage points to 0.4 per cent (1.9 percentage points to 0.1 per cent) or the pre-tax discount rate increases by 1.5 percentage points to 11.7 per cent (1.6 percentage points to 13.4 per cent) the estimated recoverable amount of the CGU Italy will be equal to its carrying amount.

Corporate assets

Group-wide assets and liabilities, including the right of free electricity and software under construction that cannot be directly allocated on a reasonable and consistent basis to the CGUs or groups of CGUs, are classified as corporate assets. A group impairment analysis has been performed where the carrying amount of the total group of CGUs, including the portion of the carrying amount representing the Group's corporate assets, is compared with the total recoverable amount.

Note 12 Property, plant and equipment

See Notes 1 (XII) and (XV) for the accounting policy.

Historical cost SEKm	Land and buildings	Machinery and equipment	Assets under construction	Total
1 January 2013				
Acquisition or production costs	980	2,906	119	4,005
Accumulated depreciation and impairments	-400	-1,994	-	-2,394
Book value at 1 January 2013	580	912	119	1,611
Movements in 2013				
Additions	3	20	159	182
Transfers	5	230	-235	-
Disposals	-4	-3	-	-7
Exchange differences	16	21	2	39
Impairments	-	-6	-	-6
Depreciation	-14	-145	-	-159
Total	6	117	-74	49
31 December 2013				
Acquisition or production costs	930	3,139	45	4,114
Accumulated depreciation and impairments	-344	-2,110	-	-2,454
Book value at 31 December 2013	586	1,029	45	1,660
Movements in 2014				
Business Combinations	7	35	1	43
Additions	2	39	83	124
Transfers	6	95	-101	-
Disposals	-53	-3	-	-56
Exchange differences	25	43	1	69
Impairments	-2	-	-	-2
Depreciation	-16	-155	-	-171
Total	-31	54	-16	7
31 December 2014				
Acquisition or production costs	926	3,173	29	4,128
Accumulated depreciation and impairments	-371	-2,090	-	-2,461
Book value at 31 December 2014	555	1,083	29	1,667
<i>Estimated economic useful life</i>	<i>Buildings: 20–50 years Land: Indefinite</i>	<i>3–55 years</i>	<i>N/A</i>	

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The estimated economic useful lives of the machinery and equipment can be further specified as follows:

	Estimated economic useful life
Production lines	5–35 years
Packaging lines	5–25 years
Production equipment	3–55 years
IT hardware	3–5 years
Furniture	3–20 years
Production vehicles	7–20 years
Vehicles	5 years
Other	5–20 years

A significant share of land and buildings are secured through mortgages held by Svenska Handelsbanken AB and the holders of senior secured notes (See Note 21).

Depreciation expenses of SEK 171m (159) have been charged to cost of goods sold, selling expenses and general and administrative expenses. The impairment losses on property, plant and equipment have been charged to cost of goods sold (see Note 3).

The impairments charges relate mainly to the sale of machinery and equipment in connection with the supply chain restructuring. The impairment is the difference between the carrying amount and the higher of value in use and fair value less costs to sell.

In 2012 decisions were made to close the factories in Alingsås and Gävle, Sweden and Aura, Finland. A decision was also made to rationalise warehousing operations in Scandinavia. The factory in Alingsås was closed in 2012 and sold in 2013. The factory in Aura was closed and sold in 2013. The factory in Gävle was closed and sold in 2014.

As a result of the merger between Cloetta and Leaf, the sales organisations of Cloetta Sverige AB and Cloetta Produktion Sverige AB have been integrated into one. This integration was started in 2012 and was finalised in 2013.

At 31 December 2014, the Group had contractual commitments for acquisitions of machinery and equipment for an amount of SEK 45m (18).

The breakdown of non-current assets other than financial assets, deferred tax assets and post-employment benefit assets by country is as follows:

SEKm	31 Dec 2014	31 Dec 2013
Sweden	2,836	2,644
Finland	1,461	1,373
Italy	1,415	1,332
The Netherlands	1,271	1,135
Other countries	566	428
Total	7,549	6,912

Note 13 Tax assets and liabilities

See Notes I(VIII) and(XIII) for the accounting policy.

SEKm	Tax losses carried forward	Unused tax credits	Property, plant and equipment	Intangible assets	Provisions (incl. pensions)	Other current assets and liabilities	Total
1 January 2013	259	52	-100	-575	5	8	-351
Business combinations and divestments	-	-	-	-4	-	-	-4
Profit and loss account (charge)/ credit for the year	10	19	-35	-25	2	41	12
Return to accrual	1	-	15	-2	3	-1	16
Effect of rate changes	-8	-2	-1	28	-1	0	16
Exchange differences/Other	25	2	1	-20	30	-51	-13
31 December 2013	287	71	-120	-598	39	-3	-324
Business combinations and divestments	44	-	-1	-44	1	-2	-2
Profit and loss account (charge)/ credit for the year	-62	-15	-38	5	-6	31	-85
Return to accrual	-4	-	37	0	-2	-41	-10
Exchange differences/Other	10	4	-6	-21	39	-4	22
31 December 2014	275	60	-128	-658	71	-19	-399

Deferred tax assets and liabilities can be broken down as follows:

SEKm	31 Dec 2014	31 Dec 2013
Deferred tax assets	84	73
Deferred tax liabilities	-483	-397
Total	-399	-324

Deferred tax assets refer, among other things, to the difference between the tax base of the defined asset or liability and its carrying amount and the recognised tax losses carried forward.

The amounts are as follows:

SEKm	31 Dec 2014	31 Dec 2013
Deferred tax asset to be realised after more than 12 months	75	56
Deferred tax asset to be realised within 12 months	9	17
Total	84	73

The composition of deductible temporary differences (recognised as well as unrecognised), unused tax credits and tax losses carried forward is as follows:

SEKm	31 Dec 2014		31 Dec 2013	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	142	–	131	–
Unused tax credits	60	19	71	2
Tax losses carried forward	275	136	287	64
Total	477	155	489	66

For the unrecognised deductible temporary differences, unused tax credits and tax losses carried forward, it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction.

The unused tax credits relate to a tax abatement granted by the Slovakian government. This tax abatement means that a maximum amount of around SEK 89m of income tax liabilities will be waived by the Slovakian government during the period from 2013 to 2018.

The expiration dates for the tax losses carried forward range from 4 years to unlimited.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax bases of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

SEKm	31 Dec 2014	31 Dec 2013
Deferred tax liability to be recovered after more than 12 months	521	447
Deferred tax liability to be recovered within 12 months	–38	–50
Total	483	397

The deferred tax liability is the netted amount of the deferred assets and liabilities for so far there is a legally enforceable right to offset these assets and liabilities and these are related to income taxes levied by the same taxation authority. The short-term part of this net liability are deferred tax assets mainly related to losses carried forward insofar as these are expected to be utilised during 2015, while the long-term part is mainly related to the temporary difference on intangible assets.

Tax provisions

The positions taken in tax returns with respect to situations where the applicable tax rules are subject to interpretation are periodically evaluated. Provisions are established where appropriate on the basis of amounts expected to be paid to the respective tax authorities.

Current income tax

SEKm	31 Dec 2014	31 Dec 2013
Current income tax assets	3	0
Current income tax liabilities	–58	–99
Total	–55	–99

See also Note 34 for further details regarding accounting estimates and judgments in respect to the ongoing tax audits in Italy.

Note 14 Non-current financial assets

See Notes 1 (XIV) and (XV) for the accounting policy.

SEKm	31 Dec 2014	31 Dec 2013
Registration fees	7	7
Deposits	5	1
Tax indemnity receivable	86	82
Other financial assets	7	1
Total	105	91

The fair values of non-current financial assets approximate their carrying value.

None of the different classes of non-current financial assets contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Note 15 Inventories

See Note 1 (XVII) for the accounting policy.

Inventories for own use and resale:

SEKm	31 Dec 2014	31 Dec 2013
Raw materials and consumables	278	264
Work in progress	73	51
Finished goods and goods for resale	502	483
Total	853	798

Movements in the provision for obsolete inventory amounts are as follows:

SEKm	2014	2013
At 1 January	10	19
Business combinations	0	–1
Additions	12	8
Releases	–3	–7
Write-down	–5	–9
Exchange differences	1	0
At 31 December	15	10

The write-downs, additions and releases are included in cost of goods sold in the profit and loss account.

Part of the inventories has been pledged as security for borrowings from Svenska Handelsbanken AB and the holders of senior secured notes (see Note 21).

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Note 16 Trade and other receivables

See Notes 1 (XVIII) for the accounting policy.

SEKm	31 Dec 2014	31 Dec 2013
Trade debtors	988	824
Provision for impairment of trade receivables	-16	-14
Trade receivables – net	972	810
Other receivables	114	87
Prepaid expenses and accrued income	35	36
Total	1,121	933

Part of the trade and other receivables has been pledged as security for borrowings from Svenska Handelsbanken AB and the holders of senior secured notes (see Note 21).

As of 31 December 2014, provisions were made for trade receivables of SEK 16m (14). The individual receivables for which provisions were made relate to uncollectible receivables.

Movements in the provision for impairment of trade receivables are as follows:

SEKm	2014	2013
At 1 January	14	10
Business combinations	0	1
Provision for impairment of receivables	11	9
Receivables written off during the year as uncollectible	-8	-7
Unused amounts reversed	-1	0
Exchange differences	0	1
At 31 December	16	14

The age analysis of the trade receivables for which a provision for impairment has been recognised, is as follows:

SEKm	31 Dec 2014	31 Dec 2013
Up to 60 days	0	0
60 to 90 days	0	0
Over 90 days	16	14
Total	16	14

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2014, trade receivables of SEK 182m (165) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The age analysis of the trade receivables past due but not impaired, is as follows:

SEKm	31 Dec 2014	31 Dec 2013
Up to 60 days	156	137
60 to 90 days	8	5
Over 90 days	18	23
Total	182	165

The carrying amounts are assumed to approximate the fair values of trade receivables and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of the trade receivables are denominated in the following currencies:

SEKm	31 Dec 2014	31 Dec 2013
Euro	623	506
Swedish krona	236	195
Danish krone	42	52
Great Britain pound	36	28
Norwegian krone	20	23
US dollar	4	2
Other currencies	11	4
Total	972	810

The breakdown of prepaid expenses and accrued income is as follows:

SEKm	31 Dec 2014	31 Dec 2013
Prepaid personnel-related expenses	8	9
Prepaid rents, insurance and lease charges	7	5
Prepaid IT expenses	7	7
Prepaid marketing expenses	2	2
Other prepaid expenses	10	12
Other accrued income	1	1
Total	35	36

Note 17 Cash and cash equivalents

See Notes 1 (XX) and (XXI) for the accounting policy.

The item cash and cash equivalents in the consolidated cash flow statement and consolidated balance sheet consists of the following:

SEKm	31 Dec 2014	31 Dec 2013
Cash and cash equivalents	229	167
Total	229	167

All cash and cash equivalents are available on demand.

Svenska Handelsbanken provided the Group with a Notional Group Account (NGA). The NGA enables Cloetta AB (publ) and its subsidiaries to use the funds available as deposited in the bank in one or more currencies for the purpose of efficient liquidity management and daily payments in the ordinary course of business. The NGA provides the possibility of making withdrawals from accounts held by the bank in different currencies and in different countries without the necessary funds being available in the respective amount, provided that the corresponding funds are available considering the balances on all accounts in the NGA and any amounts available for this purpose pursuant to any credit facility and/or intraday revolver facility agreed upon separately. The NGA is based on and connects accounts in local account structures in different countries in which group companies participate as sub-account holders.

The following table shows the carrying amounts of recognised offsetting of financial assets and liabilities relating to the notional cash pool:

2014 SEKm	Gross amounts of financial instruments	Set off in the balance sheet	Net amount presented in the balance sheet	Related financial instru- ments that are not offset	Net amount
Cash and cash equivalents	-495	250	-245	474	229
Total assets	-495	250	-245	474	229
Loans from credit institutions	-39	250	211	3,205	3,416
Total liabilities	-39	250	211	3,205	3,416

2013 SEKm	Gross amounts of financial instruments	Set off in the balance sheet	Net amount presented in the balance sheet	Related financial instru- ments that are not offset	Net amount
Cash and cash equivalents	-59	32	-27	194	167
Total assets	-59	32	-27	194	167
Loans from credit institutions	41	32	73	3,235	3,308
Total liabilities	41	32	73	3,235	3,308

Note 18 Assets held for sale

See Note 1 (XXII) for the accounting policy.

All assets held for sale relate to property, plant and equipment and consist of the following:

SEKm	31 Dec 2014	31 Dec 2013
Property, plant and equipment held for sale	16	15
Total	16	15

SEKm	2014	2013
At 1 January	15	35
Disposals	-	-20
Exchange rate differences	1	0
At 31 December	16	15

The assets held for sale at 31 December 2014 are the land and building in Zola Predosa, Italy. The assets held for sale are categorised at level 3 of the fair value hierarchy. See Note 30 for a total overview of the Group's assets and liabilities that are measured at fair value.

Note 19 Equity

See Notes 1 (XXIII) and (XXVI) for the accounting policy.

Capital management

The Board's financial objective is to maintain a strong financial position that contributes to maintaining investor, creditor and market confidence and to providing a platform for ongoing development of the business. Capital consists of total equity. The Board of Directors propose dividends to the shareholders.

The company's long-term intention is a payout of 40–60 per cent of profit after tax. In 2013 and 2014, the primary focus was on reinvesting the company's strong cash flow for continued repayment of bank loans, while at the same time allowing for complementary acquisitions.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total assets.

Dividend per share

No dividend was paid in 2013 or 2014.

Group equity

Share capital

The number of shares authorised, issued and fully paid up at 31 December 2014 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

Neither Cloetta AB (publ) nor any subsidiary has held any shares in Cloetta during the year.

Translation differences reserve

Reserves consist of all exchange gain/losses arising on translation of the financial statements of foreign operations which present their financial statements in a currency other than that used by the Group. This includes foreign currency differences on monetary items that are receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

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Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the other paid-in capital represent the amount of non-restricted equity available for distribution to the shareholders.

Changes in equity

For disclosures about changes in equity in the Group, see the consolidated statements of changes in equity on page 68.

Hedge of a net investment in a foreign operation (Net investment hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge

inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Share-based payments

See Note 24 for further details about share-based payments.

Note 20 Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding adjusted for the dilutive effect of potential shares.

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding:

	2014	2013
Profit for the year, attributable to ordinary shareholders (in SEKm) (basic and diluted)	242	264
Number of issued ordinary shares at 1 January	288,619,299	288,619,299
Effect of forward contract to repurchase own shares	-1,631,309	-608,352
Weighted average number of ordinary shares during the year before dilution	286,987,990	288,010,947
Effect of share-based payments	104,790	15,461
Weighted average number of ordinary shares during the year after dilution	287,092,780	288,026,408
Basic earnings per share, SEK	0.84	0.92
Diluted earnings per share, SEK	0.84	0.92

Cloetta entered into two long-term forward contracts to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of the share-based long-term incentive plan. Earnings per share at year-end 2014 have been calculated on the average number of shares, adjusted for the effect of the forward contracts to repurchase own shares.

The two forward contracts to repurchase own shares cover a total of

2,137,610 Cloetta AB (publ) shares. One contract covers 937,610 Cloetta AB (publ) shares for an amount of SEK 18.50678 per share and the other contract covers 1,200,000 Cloetta AB (publ) shares for an amount of SEK 23.00000 per share, together causing the dilutive effect of potential shares.

Note 21 Borrowings

See Notes I (XXVII) and (XXVIII) for the accounting policy.

SEKm	31 Dec 2014			
	Remaining term < 1 year	Remaining term 1-2 years	Remaining term 2-5 years	Remaining term > 5 years
Loans from credit institutions	423	360	1,643	-
Senior secured notes	-	-	990	-
Total	423	360	2,633	-

SEKm	31 Dec 2013			
	Remaining term < 1 year	Remaining term 1 - 2 years	Remaining term 2 - 5 years	Remaining term > 5 years
Loans from credit institutions	212	229	1,879	-
Finance lease liabilities	-	-	988	-
Total	212	229	2,867	-

See Note 32 for further details on liabilities to related parties.

The following table shows the Group's contractually agreed cash flows payable under financial liabilities.

SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	31 Dec 2014 Remaining term > 5 years
Loans from credit institutions	496	405	1,679	–
Senior secured notes	34	34	1,058	–
Total	530	439	2,737	–

SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	31 Dec 2013 Remaining term > 5 years
Loans from credit institutions	283	298	1,993	–
Finance lease liabilities	40	40	1,109	–
Total	323	338	3,102	–

The carrying amounts and fair value of non-current borrowings are as follows:

SEKm	Fair value		Carrying amount	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Borrowings from credit institutions	2,003	2,108	2,003	2,108
Senior secured notes	990	988	990	988
Total	2,993	3,096	2,993	3,096

The fair value of current borrowings is equal to their carrying amount, as the impact of discounting is not significant, and the credit risk has not changed since the loan agreement was signed.

The Group's borrowings are all exposed to interest rate changes and repricing dates within six months after balance sheet date.

Loans from credit institutions

At 15 December 2011, Cloetta AB (publ) entered into a credit facility agreement with Svenska Handelsbanken AB. The agreement is effective as of 16 April 2012 for the Term A loan and as of 23 May 2012 for the Term B loan.

On 30 August 2013 Cloetta AB (publ) renegotiated the terms of the credit facility with Svenska Handelsbanken AB.

The Group credit facility at reporting date relates to:

	Outstanding amount		Interest percentage	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Term B loan of nominal SEK 363m	363	363	3-months STIBOR + fixed applicable margin	3-months STIBOR + fixed applicable margin
Term B loan of nominal EUR 253m (approx. SEK 2,374m)	1,892	1,916	3-months EURIBOR + fixed applicable margin	3-months EURIBOR + fixed applicable margin
Senior secured notes of nominal SEK 1,000m	1,000	1,000	3-months STIBOR + 3.10%	3-months STIBOR + 3.10%
Revolver facility of max. SEK 740m	740	740	1-week EURIBOR + fixed applicable margin	1-week EURIBOR + fixed applicable margin
Minus: used amount	–262	–124		
Used amount	478	616		

Under the revolver facility, 40 per cent of the applicable margin is paid annually as a commitment fee. The applicable margin per 31 December 2014 amounted to 3.00 per cent (3.00).

Currency

All loans are denominated in euros, except for part of Term B loan for an amount of SEK 363m (363) and the senior secured notes, issued in 2013, for an amount of SEK 1,000m (1,000).

Effective interest rates

The effective interest rates at the balance sheet date for the loans from credit institutions and the senior secured notes was 3.50 per cent (3.75).

The following securities have been pledged to Svenska Handelsbanken AB:

- Shares in all group companies (including quota pledges) except for Cloetta GGS Holding Ltd., FTF Sweets Ltd., FTF Sweets USA Inc., Cloetta USA Inc., Cloetta Development AB, Cloetta Nutisal AB (formerly known as Alrifai Nutisal AB), Cloetta Ireland Holding Ltd. and Aran Candy Ltd. (SEK 4,513m);
- Floating charges and other pledges on movable assets in Cloetta Holland B.V., Cloetta Produktion Sverige AB, Cloetta Slovakia s.r.o., Cloetta Sverige AB, Cloetta Norge AS, Cloetta Italia S.r.l. and Cloetta Suomi Oy (SEK 3,803m);
- Pledge on real estate property (mortgages) in Cloetta Produktion Sverige AB, Cloetta Slovakia s.r.o., Cloetta Holland B.V. and Cloetta Italia S.r.l. (SEK 4,334m);

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- ♦ Pledges on certain receivables in Cloetta Holland B.V. (without nominal amount);
- ♦ Trademark pledges in Cloetta AB (publ), Cloetta Holland B.V., Cloetta Suomi Oy, Cloetta Sverige AB, Leaf Sweden IP AB and Cloetta Italia S.r.l. (SEK 3,566m);
- ♦ Pledges on intercompany loans between Cloetta Deutschland GmbH and Cloetta Suomi Oy, between Cloetta Suomi Oy and Cloetta Slovakia s.r.o. and between Cloetta Sverige AB and Leaf Sweden IP AB (SEK 1,079m);
- ♦ Pledges on contractual rights in Cloetta AB (publ) (without nominal amount);
- ♦ Contractual pledge agreement relating to a share purchase agreement in Cloetta AB (publ) (without nominal amount).
- ♦ Guarantee by Cloetta AB (publ) as principal obligor to the Bank for the due and punctual performance of all present and future obligations by each of the other obligors, under the Facilities Agreement and the other Finance Documents (without nominal amount);

All above-mentioned securities are also pledged toward the holders of the senior secured notes, except for the pledge over real estate property in Cloetta Italia S.r.l. (SEK 1,501m) and the floating charges in Cloetta Italia S.r.l. (without nominal amount).

Senior secured notes

On 6 September 2013 Cloetta AB (publ) announced the placement of senior secured notes amounting to SEK 1,000m with final maturity in September 2018. The senior secured notes bear interest at a floating rate of three-month STIBOR plus 3.10 per cent. In accordance with the terms and conditions of the senior secured notes, the senior secured notes have been issued, listed and admitted to trading on the corporate bond market of Nasdaq Stockholm as of 17 September 2013. The net proceeds of the issuance of senior secured notes have been used to repay the existing Term A loan in full and part of the revolver facility.

Note 22 Derivative financial instruments

See Note 1 (XVI) for the accounting policy.

SEKm	31 Dec 2014		31 Dec 2013	
	Assets	Liabilities	Assets	Liabilities
<i>Non-current</i>				
Forward contract to repurchase own shares	–	45	–	19
Interest rate swaps	–	11	–	2
Total non-current	–	56	–	–
<i>Current</i>				
Interest rate swaps	–	16	–	2
Forward foreign currency contracts	2	–	–	–
Total current	2	16	–	2
Total	2	72	–	23

Note 21

Note 22

Forward contract to repurchase own shares

Following the introduction of the share-based long-term incentive plans, Cloetta AB (publ) entered into forward contracts to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of the 2013 and 2014 share-based long-term incentive plans. The forward contracts to repurchase own shares are measured at cost.

See Note 24 for more details about the share-based long-term incentive plan.

Interest rate swaps

The Group entered into several interest rate swap contracts to partially cover the interest rate risk on the loans denominated in both SEK and EUR.

The following table shows the combined notional principal amounts of the outstanding interest rate swaps:

SEKm	Notional principal amounts		Fixed currency interest rates		Expiry date	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
STIBOR interest rate swaps	820	70–340	1.300%–1.355%	1.300%	2015–2017	2014–2015
EURIBOR interest rate swaps	170	170–190	0.465%	0.465%	2015	2014–2015

Foreign currency exchange contracts

The Group entered into forward foreign currency contracts to hedge the currency risk of the USD with a maturity of less than one year from the reporting date.

The following table shows the notional principal amounts, average exchange rate and remaining period:

	Notional principal amounts		Weighted average SEK rate		Expiry date	
	2014	2013	2014	2013	2014	2013
SEK - USD	USD 9.2m	–	7.5010	–	2015	–

Note 23 Other non-current liabilities

See Note 1 (XXIV) for the accounting policy.

SEKm	Remaining term			31 Dec 2014
	< 1 year	1–5 years	> 5 years	Total remaining term > 1 years
Contingent consideration	2	145	–	145
Total	2	145	–	145

SEKm	Remaining term			31 Dec 2013
	< 1 year	1–5 years	> 5 years	Total remaining term > 1 years
Contingent consideration	–	2	–	2
Total	–	2	–	2

The carrying amounts and fair values of the contingent consideration is as follows:

SEKm	Fair value		Carrying amount	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Contingent consideration	147	2	147	2
Total	147	2	147	2

The contingent consideration consisted of the contingent earn-out consideration related to the acquisitions of FTF Sweets Ltd. and Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent consideration arising from the option agreement for Aran Candy Ltd. and consisted of contingent consideration for the estimated payments. These considerations are dependent on certain conditions (e.g. profit before indirect costs and the probability of different scenarios) being met.

The fair value of the contingent consideration has been estimated using the income approach. The estimated contingent payment has been based on the forecast model at the acquisition date and discounted using the cost of equity. The total amount of contingent consideration recognised at 31 December 2014 amounts to SEK 147m (2). The contingent earn-out consideration will be at least SEK 49m and at most SEK 299m for the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB). No minimum or maximum is defined on the future total contingent payments for either the acquisition of FTF Sweets Ltd. or Aran Candy Ltd. The contingent consideration will be payable in 2015, 2016 and 2017. The contingent consideration is categorised at level 3 of the fair value hierarchy. See Note 30 for a total overview of the Group's assets and liabilities that are measured at fair value.

Movements in the contingent consideration are as follows:

SEKm	2014	2013
Balance at 1 January	2	–
Business combinations	158	11
Remeasurements recognised in profit and loss	–13	–9
Exchange rate differences	0	0
Balance at 31 December	147	2

The results recognised in the profit and loss account have been included in general and administrative expenses and other financial expenses and are the result of changes in forecasted profit before indirect costs and changes in the probability of scenarios.

Note 24 Pensions and other long-term employee benefits

See Notes 1 (VI) and (XXVI) for the accounting policy.

Group companies use various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit schemes in industry sector pension funds, which are held by pension funds that are not able to provide company-specific or reliable information, are accounted for as though they were defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group has a number of defined benefit pension plans in Sweden, the Netherlands, Belgium, Finland, Germany, Italy and Norway that refer to pension and other long-term benefit schemes.

For one defined benefit pension plan, the Group accounts as though this was a defined contribution scheme since sufficient information is not available to enable the Group to account for the plan as a defined benefit plan. Cloetta applies the same accounting policies as other participating employers. Sufficient information is not available, since asset administration of the fund is not designed to allocate the total assets of the fund to the participating companies. In the event of a deficit in this pension fund, the Group has no obligation to provide further contributions other than higher future contributions.

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Monthly premiums are average premiums expressed as a percentage of the pension calculations basis and should, as a minimum, cover the cost of the fund. The minimum pension premium is determined in accordance with the actuarial and business note of the fund. In case of liquidation of the fund, an amount that is sufficient to cover defined benefits will be secured. In case of a deficit in the fund at moment of liquidation, the defined benefits will be proportionally reduced taking into consideration Article 134 of the Dutch Pension Act. Contributions to the plan for the next annual year are expected to amount to SEK 26m (26). These can be split into employer contributions of SEK 17m (17) and employee contributions of SEK 9m (9). At year-end 2014, the coverage of the pension fund was 114.2 per cent (113.5).

The main defined benefit plans at 31 December 2014 in the Group were:

Sweden ITP2 plan:

The ITP2 plan covers employees born before 1979. Benefits provided in the old defined benefit plan include a final pay-based retirement pension. This plan is an unfunded defined benefit plan.

The ITP plan benefit formula provides pension benefits as a percentage of salary. Benefits will be reduced proportionally if the expected years of service, within the plan and irrespective of employer, is less than 30 years. ITP plan benefits vested with former employers are indexed according to the consumer price index.

Finland LEAF/Merijal plan:

The plan is an insured voluntary final salary pension plan. It was established on 31 December 2005 when the liabilities and assets of Merijal Pension Foundation and Leaf Pension Foundation were transferred to Pohjola Life Insurance Company.

Norway

There is one plan, which is insured in a life insurance company. This funded plan, together with the national pension scheme, provides an old age pension of 66 per cent of final salary. Included is a widow(er)s pension equal to 60 per cent of the old age pension and children's pension equal to 50 per cent of the old age pension. Members who become disabled will receive a disability pension equal to the old age pension they would have received with their present salary.

Italy – TFR plan

The *Trattamento di Fine Rapporto* (TFR) benefit is a deferred compensation plan established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated, i.e. in the case of retirement, death, disability and turnover.

The total pensions and other long-term employee benefits can be determined as follows:

SEKm	31 Dec 2014	31 Dec 2013
<i>Obligations for:</i>		
Pension benefits	505	360
Other long-term employee benefits (for jubilee payments) ('OLEB')	0	0
Total	505	360

In 2013 the OLEB schemes have been replaced by new short-term employee benefit plans and the changes have been accounted for as plan amendments. As a result of this, the effect is recorded in the profit and loss account.

The amounts recognised in the balance sheet are determined as follows:

SEKm	31 Dec 2014	31 Dec 2013
Present value of funded obligations	102	113
Fair value of plan assets	-80	-97
Deficit of funded plans	22	16
Present value of unfunded obligations	483	344
Total deficit of defined benefit pension plans	505	360
Liability in the balance sheet	505	360

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Movements in the combined net defined benefit obligations and other long-term employee benefits over the year are as follows:

SEKm	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
At 1 January 2013	541	-89	452	-	452
Current service cost	14	-	14	-	14
Interest expense/(income)	14	-2	12	-	12
<i>Remeasurements:</i>					
- Return on plan assets, excluding amounts included in interest expense/(income)	-	-1	-1	-	-1
- (Gain)/loss from change in demographic assumptions	-4	-	-4	-	-4
- (Gain)/loss from change in financial assumptions	-86	-	-86	-	-86
- Experience (gains)/losses	5	-	5	-	5
Total remeasurements	-85	-1	-86	-	-86
Exchange differences	2	0	2	-	2
<i>Contributions:</i>					
- Employers	-	-20	-20	-	-20
- Plan participants	1	-1	-	-	-
Payments from plans					
- Benefit payments	-16	16	-	-	-
Plan amendments	-14	-	-14	-	-14
At 31 December 2013	457	-97	360	-	360
Current service cost	10	-	10	-	10
Interest expense/(income)	16	-3	13	-	13
<i>Remeasurements:</i>					
- Return on plan assets, excluding amounts included in interest expense/(income)	-	-11	-11	-	-11
- (Gain)/loss from change in financial assumptions	157	-	157	-	157
- Experience (gains)/ losses	0	-	0	-	0
Total remeasurements	157	-11	146	-	146
Exchange differences	7	-3	4	-	4
<i>Contributions:</i>					
- Employers	-	-19	-19	-	-19
- Plan participants	1	-1	-	-	-
Payments from plans					
- Benefit payments	-18	18	-	-	-
- Termination benefits	-45	36	-9	-	-9
Plan amendments	-	-	-	-	-
Acquired in a business combination	-	-	-	-	-
At 31 December 2014	585	-80	505	-	505

In connection with the strategy of the Group to reduce the risk coming from pensions and other long-term employee benefits, Cloetta terminated the supplementary pension scheme in the Netherlands that was operated by "Stichting Bedrijfstakpensioenfondsvoor de Zoetwarenindustrie".

This plan, which was classified and accounted for as a defined benefit plan, has been replaced by an insured post-employment compensation plan without any other legal or constructive obligations than payment of the periodical premiums.

The defined benefit obligation and plan assets are composed by country as follows:

SEKm	Present value of obligation		Fair value of plan assets		Defined benefit obligation	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Sweden	407	279	-17	-16	390	263
Norway	23	22	-20	-20	3	2
Italy	77	66	-	-	77	66
The Netherlands	-	27	-	-24	-	3
Other countries	78	63	-43	-37	35	26
Total	585	457	-80	-97	505	360

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The significant actuarial assumptions were as follows:

%	31 Dec 2014	31 Dec 2013
Discount rate	1.98	3.48
Expected rate of future salary increases	2.26	2.19
Expected rate of future increase for benefits in payment	1.44	1.31
Expected long-term inflation rate	1.77	1.85

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

These assumptions translate into an average life expectancy in years for a pensioner retiring at age 67 in the Netherlands and 65 in other countries:

Years	2014	
	Sweden	Others
<i>Retiring at the end of the reporting period:</i>		
- Male	20	20
- Female	23	24
<i>Retiring 20 years after the end of the reporting period</i>		
- Male	40	40
- Female	43	43

The sensitivity of the combined net defined benefit obligations and other long-term employee benefits to changes in the weighted principal assumptions is as follows:

SEKm	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1 %-point	-17%	17%
Salary growth rate	1 %-point	6%	-6%
Pension growth rate	1 %-point	11%	-11%
	Increase by 1 year in assumption	Decrease by 1 year in assumption	
Life expectancy		5.96%	-5.74%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method

at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets for both 2013 and 2014 consist to 100 per cent of insurance contracts. Expected employer contributions to defined benefit schemes for the year ending 31 December 2015 amount to SEK 17m.

The expected maturity analysis for undiscounted combined net defined benefit obligations and other long-term employee benefits is as follows:

	Less than 3 years	Between 3–7 years	Between 7–15 years	Over 15 years	Total
Defined benefit obligation by expected maturity	1	5	198	381	585

The total pension costs amounting to SEK 13m (11) is included in costs of goods sold, selling expenses, general and administrative expenses, and financial income and expenses in the profit and loss account.

Share-based payments

Call option arrangement

In 2012, Cloetta's principal shareholders at that time, AB Malfors Promotor, Nordic Capital and CVC (through holding companies), issued call options that members of Group Management and one key employee have acquired on market terms. Under the call option agreement, the selected participants were offered the opportunity to purchase options against payment of the fair market value of the options.

The call options have been granted by the principal shareholders in order to promote commitment to the company's development.

Options acquired in the first tranche had an exercise period starting immediately after completion of the merger of Leaf and Cloetta and ended on 16 December 2013. The exercise period of the second tranche of the options was between 17 December 2013 and 16 December 2014, and the exercise period of the third tranche of the options is between 17 December 2014 and 16 December 2015. For the first tranche the call options grant the right to purchase class B shares in the company or to receive the

equivalent value in cash. For the second and third tranche, the call options grant the right to receive the equivalent value of class B shares in cash. As no service requirements or other vesting conditions are attached, the options acquired in connection with the merger of Leaf and Cloetta vested immediately.

Cloetta is not contributing to the call option scheme and it does not have any impact on the Group's financial statements. The call option scheme will not result in any dilution of the current shareholders' holdings.

The options comprise in aggregate 15,251,303 class B shares in the company, of which 5,083,761 were exercised during 2013 and 5,271,858 were exercised during 2014 (subject to recalculation according to customary terms).

The initial exercise price of the options is set at SEK 15.76 for all three tranches, corresponding to 120 per cent of the volume-weighted average share price during 10 trading days preceding the date on which the options were offered under the agreement ("the initial share price"). If the share price at the date of the exercise of an option is higher than 180 per cent of the initial share price, a step-up of the exercise price amounting to SEK 0.90 for each whole Swedish krona (SEK 1.00) above 180 per cent of the initial share price will apply.

Movements in the number of options outstanding and their related expiry dates are as follows:*

	Tranche 1	Tranche 2	Tranche 3	Total
Outstanding at start of the year	–	5,083,767	5,083,775	10,167,542
Exercised during the year		–5,083,767	–188,091	–5,271,858
Outstanding at the end of the year	–	–	4,895,684	4,895,684
Exercisable at end of the year	–	–	4,895,684	4,895,684
Expiry date	16 December 2013	16 December 2014	16 December 2015	

* During the first quarter of 2015, all remaining options were exercised.

The fair value of the options is equal to the difference between (i) the fair value of the options at the grant date as determined in accordance with IFRS 2 and (ii) the purchase price paid. The purchase price paid by the group management and one key employee represents the grant date fair value of the options as calculated in accordance with a Black & Scholes simulation model. Accordingly, the arrangement does not result in recognition of a share-based payment expense in these financial statements. Furthermore, as AB Malfors Promotor, Nordic Capital and CVC (through holding companies) will deliver the cash to settle the arrangement following the exercise of the options, such a settlement will not have an impact on the company's financial position.

Movements in the number of share options outstanding are as follows:

	Number of instruments in thousands	
	2014	2013
At 1 January	10,167	15,251
Exercised	–5,272	–5,084
At 31 December	4,895	10,167
Weighted average exercise price during the period	23.30	19.75

The options outstanding at 31 December 2014 had an exercise price of SEK 15.76 (15.76) and a weighted-average contractual life of 0.5 years (1.5).

During the first quarter of 2015, all remaining options were exercised.

The weighted average share price at the date of exercise for share options exercised in 2014 was SEK 23.30 (19.75).

No amounts were recognised for the above-mentioned share-based payment transactions with Group Management and one key employee in 2013 and 2014 in the financial statements.

Share-based long-term incentive plan

In both 2013 and 2014, the AGM approved the Board's proposal relating to the introduction of a share-based long-term incentive plan (LTI 2013 and LTI 2014) to align the interests of the shareholders on the one hand and Group Management and other key employees on the other hand in order to ensure maximum long-term value creation.

LTI 2013 and LTI 2014 cover 45 and 49 employees respectively, consisting of the Group Management Team and other key employees. To participate in the plan, a personal shareholding in Cloetta is required. Following a three-year 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 personal shareholding in Cloetta must be continuously maintained. For each invested share one matching share will be granted if above requirements are fulfilled.

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 EBIT and the other to Cloetta's net sales value in 2015 and 2016, respectively. The maximum number of class B shares in Cloetta which may be allocated under LTI 2013 shall be limited to 762,000 (subject to possible recalculation), representing approximately 0.3 per cent of the outstanding shares and 0.2 per cent of the outstanding votes. The maximum number of Class shares in Cloetta which may be allocated under LTI 2014 shall be limited to 999,473 (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 the share-based long-term incentive plans are expected to amount to SEK 31m (18) during the total vesting period of which SEK 5m (4) is recognised in 2014.

The expense for the LTI plans amounts to SEK 5m (4). The total expense is recognised under personnel expenses, which are included in the cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account. The forward contracts to repurchase own shares amount to SEK 45m (19) and are recognised as deductions of equity.

Movements in the number of shares for the share-based long-term incentive plans (LTI 2013 and LTI 2014) are as follows:

	Number of instruments in thousands	
	2014	2013
At 1 January	824	–
Granted	1,005	824
Released	–641	–
At 31 December	1,188	824

The total pre-tax expenses for the share-based long-term incentive plan including the mark-up for social securities in accordance with local regulations are accounted for as personnel expenses for the participants which are included in the cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account. Personnel expenses are calculated using the number of shares multiplied by the share price at the grant date and taking into consideration the expected number of shares to be granted at the end of the vesting period, consisting of matching and performance shares. The social security mark-up is calculated at the expected number of shares to be granted at the end of the vesting period multiplied by the share price at the end of 2014 in accordance with local regulations. The personnel expenses are allocated to the profit and loss account over the total vesting period of the share-based long-term incentive plan. The calculation for 2014 assumes a 67 per cent (100) performance, that 100 per cent (100) of the participants will be with the company at the end of the vesting period and that the requirement of continuous personal shareholding in Cloetta is maintained.

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Note 25 Provisions

See Note 1 (XXV) for the accounting policy.

Total provisions consist of the following:

SEKm	31 Dec 2014	31 Dec 2013
Provision for reorganisation	8	31
Provision sales return	55	49
Other provisions	18	6
Total	81	86
<i>Analysis of total provisions</i>		
Non-current	16	7
Current	65	79
Total	81	86

Movements in provisions, excluding pension benefits and other long-term employee benefits, are specified as follows:

	Reorganisation	Sales return	Other	Total
1 January 2013	34	43	13	90
Business combinations	–	–	1	1
Additions	34	49	1	84
Utilisations	–35	–44	–6	–85
Releases	–1	–	–3	–4
Exchange differences	–1	1	0	0
31 December 2013	31	49	6	86
<i>Analysis of total provisions</i>				
Non-current				7
Current				79
Total				86
1 January 2014	31	49	6	86
Business combinations	2	–	11	13
Additions	2	53	2	57
Utilisations	–26	–49	–1	–76
Releases	–2	–	–0	–2
Exchange differences	1	2	0	3
31 December 2014	8	55	18	81
<i>Analysis of total provisions</i>				
Non-current				16
Current				65
Total				81

The reorganisation provision at 31 December 2014 is mainly related to restructuring expenses in the commercial area, restructuring of the supply chain and merger-related activities.

A provision for an amount of SEK 55m (49) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2014 is expected to be utilised during the first half of 2015.

See Note 24 for details about pension benefits and other long-term employee benefits.

Note 26 Trade and other payables

See Note 1 (XXIX) for the accounting policy.

SEKm	31 Dec 2014	31 Dec 2013
Trade payables	586	388
Other taxes and social securities expenses	154	106
Pension liabilities	1	1
Other liabilities	27	31
Accruals and deferred income	384	441
Total	1,152	967

Accruals and deferred income are specified as follows:

SEKm	31 Dec 2014	31 Dec 2013
Accrued personnel-related expenses	170	180
Accrued customer bonuses and discounts	109	118
Other accrued expenses and deferred income	105	143
Total	384	441

Note 27 Non-cash items

SEKm	2014	2013
Amortisation/depreciation and impairment of assets	203	184
Provisions for pensions	-19	-18
Other provisions and other non-current liabilities	-40	-14
Total	144	152

Note 28 Business combinations**Acquisition of FTF Sweets Ltd.**

On 8 May 2013 Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) incorporated Cloetta GGS Holding Ltd. On 21 May 2013 Cloetta GGS Holding Ltd. and the shareholders of FTF Sweets Ltd. entered into a purchase agreement for the acquisition of 100 per cent of the shares of FTF Sweets Ltd. by Cloetta GGS Holding Ltd. FTF Sweets Ltd. is in a growth phase and has recently signed a nationwide distribution agreement with one of the leading convenience stores in the US. FTF Sweets Ltd. was launched in 2010 and has its core markets in the UK and US. The natural gummy candy range from FTF Sweets Ltd. is produced with a technology which eliminates the need for animal-based gelatine. It contains no artificial colours or flavours, uses only natural fruit and vegetable extracts and is also free from allergens.

The business combination is expected to result in:

- A stronger product offering in a new segment (i.e. natural candy) and therefore broadening of the product range in the growing segment for natural candy;
- Potential growth in FTF Sweets Ltd. with increased consumer demand; and
- A leading brand name in the natural candy segment.

The acquisition of FTF Sweets Ltd. by Cloetta GGS Holding Ltd. was carried out through a cash payment of SEK 10m for the acquisition of the shares, repayment of shareholder loans in FTF Sweets Ltd. of SEK 16m

and contingent earn-out consideration based on gross profit before indirect costs in the period 2013 up to and including 2015. The fair value of the contingent earn-out consideration has been estimated using the income approach. The estimated contingent earn-out consideration has been based on the forecast model at the acquisition date. The total amount of contingent earn-out consideration recognised at the acquisition date amounts to SEK 11m. There is no maximum defined on the future total earn-out payment. The contingent consideration is categorised at level 3 of the fair value hierarchy. For further information see Note 30.

The following table summarises the consideration paid for FTF Sweets Ltd., the fair value of assets acquired and liabilities assumed at acquisition date.

SEKm	
Consideration paid	
Cash paid	10
Contingent consideration	11
Repayment of shareholders loans	16
Consideration transferred	37
<i>Recognised amounts of identifiable assets and liabilities assumed:</i>	
Non-current assets	17
Intangible assets	17
Property, plant and equipment	0
Other non-current assets	0
Current assets	6
Inventories	3
Trade and other receivables	2
Cash and cash equivalents	1
Non-current liabilities	-4
Deferred tax liabilities	-4
Current liabilities	-4
Other current liabilities	-4
Net identifiable assets and liabilities assumed	15
Goodwill	22
Consideration transferred	37

Goodwill is mainly attributable to the synergies expected from the combination of Cloetta and FTF Sweets Ltd. The goodwill is not expected to be deductible for tax purposes. The company identified two intangible assets: a brand name and a recipe/technology. The fair value of the acquired identifiable intangible assets totalled SEK 17m. The valuation of the brand name is based on the relief from royalty method, assuming that the fair value of the asset is based on the royalty income attributable to it. The royalty represents cost savings through ownership of the asset, as compared to licensing the asset from a third party. The fair value adjustments result in differences in the commercial versus tax basis. A deferred tax liability has therefore been recognised for these fair value adjustments.

Acquisition-related costs of SEK 0.2m have been charged to general and administrative expenses in the 2013 consolidated profit and loss account.

The accounting for the business combination has been finalised. The goodwill acquired is allocated to the group of cash-generating units Middle.

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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 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 fair value of the contingent consideration of SEK 110m. The contingent consideration will amount to at least SEK 49m and at most SEK 299m, 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 Alrifai Nutisal AB (currently known as 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 6m and are fully recognised in the profit and loss account 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 that are not expected to be collected are immaterial.

Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) was acquired on 8 January 2014.

The accounting for the business combination has been finalised. The goodwill acquired is allocated to the group of cash-generating units Scandinavia.

Acquisition of Aran Candy Ltd.

On 28 May 2014, Cloetta Holland B.V. 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 provided 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	68
Inventories	31
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	146
Goodwill	61
Consideration transferred	207

As part of the transaction, Cloetta entered into a put/call construction on the class 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 purchase of the class A shares. The primary motive for the acquisition is to broaden Cloetta's 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 will amount to at least SEK 0m and is unlimited based on the 2015 results of Aran Candy Ltd. The contingent consideration is based on the adjusted results for the financial year 2015 (level 3 fair value). The goodwill of SEK 61m relates primarily to the potential of new distribution channels, the workforce, creating 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 Cloetta for certain liabilities under the terms and conditions of the sales and purchase agreement in an amount of SEK 0.5m. The total transaction costs related to the acquisition amounted to SEK 8m and are fully recognised in the 2014 profit and loss account 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 that are not expected to be collected are immaterial. Because Aran Candy Ltd. was acquired on 28 May 2014, the accounting for the business combina-

tion is preliminary and has not yet been finalised. The goodwill acquired is allocated to the group of cash-generating units Middle.

See Note 1 for details about changes in the group structure.

Note 29 Financial risks and financial risk management

Through its activities, the Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risks are managed by a central treasury department (group treasury) under policies approved by the Board of Directors. The group treasury department identifies, evaluates and, if applicable, hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. See pages 75–78 of the annual report for a complete overview of risks and risk management. The primary market and financial risks are described in detail below.

Market risk

Currency risk

The Group is primarily active in the European Union and Norway. The Group's currency risk mainly relates to positions and future transactions in euros (EUR), Danish kroner (DKK), Norwegian kroner (NOK), US dollars (USD) and British pounds (GBP).

The Group has major investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the euro-related currency risk by drawing part of the credit facility in euros. This hedge covers part of the currency risk in euros. At 19 July 2013 and at 17 September 2013, hedge accounting (hedges of net investments in foreign operations) is applied. This resulted in a reduction in the volatility of net financial items caused by revaluation of monetary assets and liabilities as of those dates. The Group's investment in trademarks in Cloetta Suomi Oy and Cloetta Holland B.V. is hedged by a net euro-denominated loan (carrying amount: EUR 91m) which mitigates the foreign currency translation risk on these trademarks. The fair value of the loan was EUR 91m. The loan is designated as a net investment hedge. The effectiveness of the hedge is tested and documented on a monthly basis. No ineffectiveness was recognised from the net investment hedge.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group entered into forward foreign currency contracts to hedge the currency risk of the USD with a maturity of less than one year from the reporting date. See Note 22 for the details of the forward foreign currency contracts.

In the financial year 2014, if the Swedish krona had weakened/strengthened by 10 per cent against the euro with all other variables held constant, profit before tax for the year would have been approximately SEK 50m higher/lower, as a result of the foreign exchange gains/losses on translation of all euro-denominated trading in Europe and foreign exchange losses/gains on translation of euro-denominated borrowings.

The currency risk attached to the transactions in the other currencies is not significant as the amounts involved are not significant for the total Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities (including loans to credit institutions).

The Group is exposed to the consequences of variable interest rates on liabilities. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the Group.

If the interest rate had been 1 percentage point higher/lower with all other variables held constant, profit before tax for the year would have been approximately SEK 20m lower/higher. The analysis considers the effects of interest rate swaps.

Commodity price risk

The Group is mainly exposed to commodity price risk on its purchases of gelatine, gum arabic, cocoa, sugar, syrups, nuts and starches.

At 31 December 2014, if the average raw material prices had been 10 per cent higher/lower with all other variables held constant, profit before tax for the year would have been approximately SEK 130m lower/higher.

As a rule, the central purchasing unit prepurchases the most important raw materials so that they are accessible for a period equal to 6–9 months of production. This also creates predictability in prices and financial outcomes, and cost increases affect Cloetta's purchasing prices at a certain delay. In addition, this makes it possible to avoid temporary price hikes in the commodities market.

Law and taxes

Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to limitations in operations or place new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different countries is not entirely correct or that such rules will be changed, possibly with retroactive effect.

Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectory taxes and fat taxes often has a short-term impact on sales.

Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and the information that is available.

Credit risk

The Group does not have any significant concentrations of credit risk. The Group's customers are subject to a credit policy. Sales are subject to payment conditions which vary per customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within selling expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Credit terms for customers are determined individually in the different markets. Concentrations of credit risk with respect to trade receivables are limited, due to the size and diversity of the Group's customer base. The Group's historical experience of collecting receivables is that credit risk is low across all markets.

The Group uses several banks (range of most used banks varies between AA- and A-3 rating) and has a revolver facility available.

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SEKm	Rating (S&P)	Cash balances		Overdraft facility		Other loans	
		31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Svenska Handelsbanken	AA-	99	32	-211	-73	-2,255	-2,279
Intesa	A-3	33	62	-	-	-	-
Nordea	A-1+	24	9	-	-	-	-
Tatra Bank	A-2	52	20	-	-	-	-
Other banks	A-1 / A-3	21	44	-	-	-	-
Total		229	167	-211	-73	-2,255	-2,279

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by the group treasury department. The group treasury department monitors the sources and the amounts of company's cash flows, dividend, obligation, loans, actual cash position and rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 21) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities and the impact such restrictions had or are expected to have on its ability to meet its cash obligations. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions. The net proceeds of the issuance of senior secured notes in 2013 have been used in part to repay the revolver facility, signif-

icantly increasing the headroom on the undrawn committed borrowings facilities.

In 2013 a Notional Group Account (NGA) was set up. This NGA includes both the Parent Company and several operating entities. Surplus cash held by operating entities included in the NGA is available to the group treasury department and is used for the Group's internal and external financing activities. Surplus cash held by operating entities not included in the NGA is transferred to the group treasury department and is also used for the Group's internal and external financing activities.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

SEKm	31 Dec 2014					
	Term < 1 year	Term 1-2 years	Term 2-3 years	Term 3-4 years	Term 4-5 years	Term > 5 years
Loans from credit institutions	496	405	1,679	-	-	-
Senior secured notes	34	34	34	1,024	-	-
Contingent consideration	-	-	49	-	-	-
Trade and other payables	998	-	-	-	-	-
Financial guarantee contracts	42	0	0	1	-	8
Total	1,570	439	1,762	1,025	-	8

SEKm	31 Dec 2013					
	Term < 1 year	Term 1-2 years	Term 2-3 years	Term 3-4 years	Term 4-5 years	Term > 5 years
Loans from credit institutions	283	298	419	1,574	0	-
Senior secured notes	40	40	40	40	1,029	-
Contingent consideration	-	-	-	-	-	-
Trade and other payables	861	-	-	-	-	-
Financial guarantee contracts	38	8	-	1	-	4
Total	1,222	346	459	1,615	1,029	4

Only the contractual payment for the minimum contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) is included in the table above. The other contingent consideration has no minimum contractual agreed payment.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an

optimal capital structure to reduce the cost of capital. Management's priority in monitoring capital is to maintain compliance with the debt covenants in the credit agreement with Svenska Handelsbanken. Cloetta actively monitors these and other ratios on a monthly basis. The debt covenants are an interest covenant, an EBITA/net debt covenant and an equity/total assets covenant. Throughout 2013 and 2014, the Group was in compliance with the covenant requirements of Svenska Handelsbanken.

Note 30 Fair value measurement**Share-based long-term incentive plan**

The 2013 and 2014 AGM approved the Board's proposal relating to the introduction of a share-based long-term incentive plan (LTI 2013 and 2014).

Under the share-based long-term incentive plans, the entity receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period).

See Note 24 for more information.

Fair value measurement

The only items recognised at fair value after initial recognition are the interest rate swaps and forward foreign currency contracts categorised at level 2 of the fair value hierarchy in all periods presented, the contingent earn-out considerations related to the acquisitions of FTF Sweets Ltd., Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent consideration arising 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 lower than 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.

The fair value measurements by level according to the fair value measurement hierarchy are as follows:

- 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.

31 Dec 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
• Forward foreign currency contracts	–	2	–	2
Total assets	–	2	16	18
Liabilities				
Liabilities at fair value through profit or loss				
• Interest rate swaps	–	27	–	27
• Contingent considerations	–	–	147	147
Total liabilities	–	27	147	174

31 Dec 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 considerations	–	–	2	2
Total liabilities	–	3	2	5

The non-current assets measured at fair value at 31 December 2014 consisted of the land and building in Zola Predosa, Italy.

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

SEKm	2014	2013
Balance at 1 January	2	–
Business combinations	158	11
<i>Remeasurements recognised in profit and loss</i>		
- Unrealised interest on contingent consideration recognised in other financial expenses	14	–
- Unrealised remeasurements on contingent consideration recognised in general and administrative expenses	–27	–9
<i>Remeasurements recognised in other comprehensive income</i>		
- Unrealised currency translation differences	0	0
Balance at 31 December	147	2

No transfer between fair value hierarchy levels has occurred during the financial year nor the prior financial year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2. The valuation of the instruments is based on quoted market prices but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included in level 2. The fair value measurement of the contingent considerations 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 forward foreign currency contracts is calculated using the difference between the exchange rate on the spot date with the contractually agreed upon exchange rate;
- The fair value of the asset held for sale is based on valuations by external independent valutors;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fixed asset measured at fair value is identified as a non-recurring fair value measurement and is related to the asset held for sale. The asset

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is valued at fair value less cost to sell because the fair value less costs to sell is below the carrying amount. See Note 18 for the movements in the assets held for sale.

The contingent liabilities considerations 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.

The valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used can be specified as follows:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration			
- Contingent earn-out consideration	The fair value of the contingent earn-out consideration has been estimated using the income approach. The estimated contingent earn-out payment has been based on the forecast model at the acquisition date and discounted using the cost of equity. The expected payment is determined by considering the possible scenarios of forecasted profit before indirect costs, the amount to be paid under each scenario and the probability of each scenario.	- Forecasted profit before indirect costs for the financial years 2015 and 2016.	The estimated fair value would increase (decrease) if: - the profit before indirect costs for 2015 and 2016 were higher (lower).
- Contingent consideration arising from option agreements	The fair value of the contingent consideration has been estimated using the income approach. The estimated contingent payment has been based on the forecast model at the acquisition date and discounted using the cost of equity. The expected payment is determined by considering the possible scenarios of forecasted profit before indirect costs and cash generation, the amount to be paid under each scenario and the probability of each scenario.	- Forecasted working capital at 31 December 2015. - Forecasted cash balance at 31 December 2015. - Forecasted gross profit adjusted for sales initiatives (adjusted gross profit).	The estimated fair value would increase (decrease) if: - the working capital at 31 December 2015 was higher (lower). - the cash balance at 31 December 2015 was higher (lower). - the adjusted gross profit for 2015 were higher (lower).
Derivative financial instruments			
- Interest rate swaps	The valuation of the interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.	Not applicable	Not applicable
- Forward foreign currency contracts	The valuation of the forward foreign currency contract is calculated as the difference between future cash flows in foreign currencies converted at the spot rate at reporting date and the future cash flows in foreign currencies converted at the contractual agreed upon exchange rates.	Not applicable	Not applicable

See Note 23 for the effect of the measurements regarding the contingent consideration liabilities in the profit and loss account or other comprehensive income and for the movements in the contingent consideration liabilities.

Note 32 Related party transactions

All group companies mentioned in Note P10 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

In the context of this financial report, and aside from the subsidiaries of Cloetta AB (publ), the companies regarded as related parties are AB Malfors Promotor, Cidron Pord S.á.r.l. (from 16 February 2012 until 27 November 2013) and Godis Holdings S.á.r.l. (from 16 February 2012 until 27 November 2013).

The transactions carried out with related parties and the year-end balances are as follows:

Sales and/or purchase of services

In 2013 Cloetta AB (publ) sold a property at market value to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, for a value of SEK 6m, generating a book gain of SEK 3m. In 2014 no transactions between Cloetta AB (publ) including its subsidiaries and AB Malfors Promotor including its subsidiaries have occurred.

Note 31 Pledged assets and contingent liabilities

SEKm	31 Dec 2014	31 Dec 2013
<i>Contingent liabilities</i>		
Rental guarantees	3	3
Customs and export guarantees	12	17
Bank guarantees	33	31
Other guarantees	4	0
Total contingent liabilities	52	51

See Note 21 for assets pledged to Svenska Handelsbanken and the holders of senior secured notes.

Transactions with Group Management and key employees

For information about salaries and remuneration to the Board of Directors and Group Management, see Note 6. The Group has no receivables from Group Management and key employees. In 2013 and 2014 share-based long-term incentive plans as approved by the AGM were introduced. Total costs related to the share-based long-term incentive plans that were recognised in 2014 amount to SEK 5m (4), of which SEK 2.7m (0.9) is related to Group Management. Other liabilities to Group Management and key employees consist of customary personnel-related liabilities.

See Note 6 for remuneration to Group Management and key employees.

Note 33 Operating leases

See Note 1 (XXX) for the accounting policy.

Recognised expenses for operating leases amount to:

SEKm	2014	2013
Minimum lease payments	69	78
<i>Future annual payment obligations for leased assets in the Group are broken down as follows:</i>		
Within one year	53	51
Between one and five years	69	49
More than 5 years	–	0
Total	122	100

The operating lease commitments mainly consist of the lease of buildings and warehouses with an average contract term of one year and of car lease contracts with an average contract term of four years. All operating leases relate to minimum lease payments under non-cancellable operating lease agreements. There are no material subleases, no material contingent rents, no renewal or purchase options and escalation clauses nor any restrictions imposed by leasing arrangements.

Note 34 Critical accounting estimates and judgements

In preparing the financial statements, management makes estimates and judgments that affect the reported amounts of assets and liabilities, net sales and expenses, and disclosures of contingent liabilities at the date of the financial statements. The estimates and assumptions that are associated with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year as well as critical judgments in applying the Group's accounting policies are discussed below. The accounting estimates and judgments are believed to be reasonable under the circumstances.

The company's management and audit committee have discussed the development, selection and disclosures regarding the Group's critical accounting principles and estimates. The estimates and judgments made in the application of the Group's accounting policies are described below.

Impairment analysis of intangible fixed assets

For the purpose of impairment testing, assets are allocated to cash-generating units when it is not possible to assess impairment on an individual asset basis. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is impaired. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business. The

carrying amount of the intangible fixed assets at the end of reporting period was SEK 5,882m (5,252).

Accounting for income taxes

As part of the process of preparing financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In Italy, the tax authority has carried out an audit regarding Cloetta's Italian subsidiary with respect to the financial years 2005–2009. The audit concerns the financing and interest expenses as well as expenses for consultants in relation to acquisitions in Italy that, in the Italian tax authority's view, should have been re-invoiced to the Parent Company. Furthermore, the tax authority has decided on additional withholding tax for which the tax authority claims that the company is liable. Cloetta Italia S.r.l. has contested the tax authority's decision. The disputes regarding the financial years 2005–2009 is currently pending in court.

In the share transfer agreement, Yllop Holding S.A. has undertaken to indemnify Cloetta for tax-related claims that might be brought against Cloetta with respect to the proceedings in Italy. This indemnity is limited to an amount of EUR 9,200,000 (9,200,000) (corresponding to SEK 86m (82)) and refers to the financial years 2005–2007.

Temporary differences between tax and financial reporting result in deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent, it is probable that all or some portion of the deferred tax asset will not be realised.

Contingent considerations

The fair value of the contingent considerations is calculated using the income approach and is linked to the financial performance of the acquired companies. As part of accounting for business combinations, contingent consideration is initially recognised. The contingent consideration is discounted using the cost of equity. The contingent consideration is dependent on certain conditions (e.g. profit before indirect costs and the probability of different scenarios) being met. Remeasurements after initial recognition are recognised as an income or expense in the profit and loss account.

Provisions

By their nature, provisions are dependent on estimates and assessments as to whether the criteria for recognition have been met, including estimates as to the outcome and the amount of the potential cost of resolution. Provisions are recognised as an expense in the profit and loss account when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated.

Provisions for litigation, tax disputes, etc. for a total amount of SEK 138m (184), are based on an estimate of the costs, taking into account legal advice and the information currently available. In addition, provisions for termination benefits and exit costs involve management's judgment in estimating the expected cash outflows for severance payments and site closure or other exit costs. Should the actual outcome differ from the assumptions and estimates, revisions to the estimated provisions would be required, which could impact the Group's financial position and results from operations.

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Accounting for pensions and other post-employment benefits

Pension benefits represent obligations that will be settled in the future and require assumptions to project the benefit obligations and fair values of plan assets. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's expected service period, based on the terms of the plans and the investment and funding decisions made by the Group. For calculation of the present value of the pension obligation and the net cost, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries). In countries where there is no deep market in such bonds, the market yields at the end of the reporting period on government bonds is used. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. For details about the key assumptions and policies, see Note 24. The carrying amount at the end of reporting period was SEK 505m (360).

It should be noted that when discount rates decline or rates of future salary increase, the pension benefit obligations will increase.

Capitalisation of development costs

Costs incurred on development projects are recognised as intangible assets when it is probable that a project will be successful in view of its commercial and technological feasibility. Management's judgement is required in determining when the Group should start capitalising development costs. In general, the management has determined that commercial and technological feasibility, in general, is probable when the Group decides to pre-launch a product and the costs can be measured reliably. However, since the development costs incurred by the Group after the pre-launch of a product are considered insignificant, the Group expenses all development costs in the period when the expenditure is incurred. Consequently, based on management's judgement, no development costs have been recognised as intangible assets in the consolidated financial statements.

Revenue recognition

In Italy, the customers of seasonal products have the right to return the goods if the goods are not sold to consumers. Based on past experience of similar sales, Cloetta Italia S.r.l. has recognised net sales on these transactions with a corresponding provision against net sales for estimated returns.

Note 35 Changes in accounting policies

New and amended standards and interpretations adopted by the Group

The following standards and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and have impact on the group:

- ♦ **IFRS 12**, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- ♦ **Amendments to IAS 32**, Offsetting financial assets and financial liabilities. These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

The following amendments to standards or interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and have no material impact on the Group:

- ♦ **IFRS 10**, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- ♦ **IFRS 11**, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.
- ♦ **Amendments to IAS 27**. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.
- ♦ **Amendment to IAS 39**, Novation of derivatives and continuation of hedge accounting. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- ♦ **IFRIC 21**, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to payment of a levy and when a liability should be recognised. The Group is not currently subject to significant levies, so the impact on the Group is not material;

New standards and amendments to standards not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have impact on the consolidated financial statements of the Group, except the following set out below:

- ♦ **Annual improvements to IFRSs 2010-2012 cycle**. These annual improvements amend standards from the 2010-2012 reporting cycle. It includes changes to:
 - **IFRS 2**, 'Share based payments', and clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
 - **IFRS 3**, 'Business combinations', and clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32, 'Financial Instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.
 - **IFRS 8**, 'Operating segments' which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
 - **IFRS 13**, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.
 - **IAS 16**, 'Property, plant and equipment' and **IAS 38**, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

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- **IAS 24**, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.
- ♦ **Annual improvements to IFRSs 2011-2013 cycle**. These annual improvements amend standards from the 2011 –2013 reporting cycle. It includes changes to:
 - **IFRS 1**, 'First time adoptions of IFRSs', basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
 - **IFRS 3**, 'Business combinations' is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11.
 - **IFRS 13**, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.
 - **IAS 40**, 'Investment property' is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. IAS 40 assists users to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
- ♦ **IFRS 9**, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued on 19 November 2009, 16 December 2011 and 19 November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's

business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit and loss account, unless this creates an accounting mismatch. The Group has yet to assess IFRS 9's full impact.

- ♦ **IFRS 15**, Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that can be expected to have an impact on the Group.

Note 36 Events after the balance sheet date

The decline in sales and weak market development in Italy is making it necessary to adapt the organisation. Cloetta therefore intends to decrease the Italian organisation by approximately 30 employees. This is expected to give rise to some non-material restructuring costs during the first quarter of 2015.

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Parent Company profit and loss account

SEKm	Note	2014	2013
Net sales	P2	88	86
Gross profit		88	86
Other income	P2	–	12
General and administrative expenses	P3,P4,P5	–104	–124
Operating loss		–16	–26
Exchange differences on borrowings and cash	P6	1	–1
Other financial income	P6	61	92
Other financial expenses	P6	–70	–62
Net financial items		–8	29
Profit/loss before tax		–24	3
Income tax	P7	5	–1
Profit/loss for the year		–19	2

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

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 2014 to 31 December 2014.

Information about operations

Net sales in the Parent Company reached SEK 88m (86) and referred mainly to intra-group services. Operating profit was SEK –16m (–26).

Net financial items totalled SEK –8m (29). Profit before tax was SEK –24m (3) and profit after tax was SEK –19m (2).

Parent Company balance sheet

SEKm	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets		0	0
Property, plant and equipment	P8	–	0
Deferred tax asset	P9	9	4
Shareholdings in group companies	P10	4,625	4,625
Receivables from group companies	P20	550	528
Total non-current assets		5,184	5,157
Current assets			
Receivables from group companies	P20	60	85
Current income tax assets	P9	1	2
Other receivables		–	1
Prepaid expenses and accrued income	P11	1	1
Total current assets		62	89
TOTAL ASSETS		5,246	5,246
EQUITY AND LIABILITIES			
Equity			
Share capital		1,443	1,443
Share premium		2,713	2,713
Retained earnings including profit for the year		49	65
Equity attributable to owners of the Parent Company	P13	4,205	4,221
Non-current liabilities			
Borrowings	P14	990	988
Derivative financial instruments	P15	11	0
Provisions		1	1
Total non-current liabilities		1,002	989
Current liabilities			
Payables to group companies	P20	11	10
Trade payables	P16	2	6
Other current liabilities	P16	5	2
Derivative financial instruments	P15	9	1
Accrued expenses and deferred income	P16, P17	12	17
Current income tax liabilities	P9	–	0
Total current liabilities		39	36
TOTAL EQUITY AND LIABILITIES		5,246	5,246
Pledged assets	P19	4,623	4,623
Contingent liabilities ¹	P19	3,219	3,078

¹ The company issued a parent company guarantee pursuant to Article 403, Book 2 of the Dutch Civil Code in respect of Cloetta Holland B.V. and Cloetta Finance Holland B.V. The company issued a parent company guarantee pursuant to section 479A of the Companies Act 2006 of the Parliament of the United Kingdom in respect of Cloetta GGS Holding Ltd. This means that Cloetta AB declares and accepts, under reservation of legal repeal of the declaration, joint and several liability for the debts resulting from legal acts of Cloetta Holland B.V., Cloetta Finance Holland B.V. and Cloetta GGS Holding Ltd. As the probability of a settlement is remote, an estimate of its financial effect is not practical to be calculated.

Parent Company statement of changes in equity

SEKm	Share capital	Share premium reserve	Retained earnings	Total equity
Balance at 1 January 2013	1,443	2,713	60	4,216
<i>Comprehensive income</i>				
Profit for the year	–	–	2	2
Total comprehensive income for 2013	–	–	2	2
Transactions with owners				
Share-based long-term incentive plan	–	–	3	3
Total transactions with owners	–	–	3	3
Balance at 31 December 2013	1,443	2,713	65	4,221
<i>Comprehensive income</i>				
Profit/loss for the year	–	–	–19	–19
Total comprehensive income for 2014	–	–	–19	–19
Transactions with owners				
Share-based long-term incentive plan	–	–	3	3
Total transactions with owners	–	–	3	3
Balance at 31 December 2014	1,443	2,713	49	4,205

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

Total equity is attributable to the owners of the Parent Company.

Parent Company cash flow statement

SEKm	Note	2014	2013
Operating loss		-16	-26
Adjustments for non-cash items	P18	-1	-9
Interest received		0	0
Interest paid		-42	-34
Income tax paid		-1	-3
Cash flow from operating activities before changes in working capital		-60	-72
Cash flow from changes in working capital			
Change in operating receivables		66	138
Change in operating liabilities		-6	20
Cash flow from operating activities		0	86
Investing activities			
Disposal of property, plant and equipment		-	14
Cash flow from investing activities		-	14
Cash flow from operating and investing activities		0	100
Financing activities			
Repayment of interest-bearing borrowings		-	-581
Proceeds from borrowings (net of financing cost)		-	991
Loans granted		-	-522
Cash flow from financing activities		-	-112
Cash flow for the year		0	-12
Cash and cash equivalents at beginning of year	P12	-	12
Cash flow for the year		0	-12
Cash and cash equivalents at end of year	P12	-	-
Cash, cash equivalents and short-term investments < 3 months	P12	-	-

Notes to the Parent Company financial statements

Note P1 Accounting and valuation policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The statements issued by the Board with respect to listed companies are also applied. RFR 2 states that in the report for the legal entity, the Parent Company shall apply all EU-endorsed IFRSs and statements as far as possible, within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared to IFRS. These financial statements include the financial statements of the Parent Company covering the period from 1 January 2014 to 31 December 2014.

Changed accounting standards

Neither revised IFRSs, new and revised IFRIC interpretations nor revised RFR 2 (January 2014) effective from 1 January 2014 have entailed any practical change of accounting standards for the Parent Company.

Differences between the accounting policies of the Group and the Parent Company

The differences between the accounting principles applied by the Group and the Parent Company are described below. The following accounting standards for the Parent Company have been applied consistently for all periods presented in the Parent Company financial statements.

Classification and presentation

The profit and loss account and balance sheet of the Parent Company are presented in accordance with the Swedish Annual Accounts Act. The differences compared to IAS 1, Presentation of Financial Statements, refer mainly to financial income and expenses, equity and the presentation of provisions as a separate item in the balance sheet.

Subsidiaries

In the Parent Company, shareholdings in subsidiaries are accounted for in accordance with the cost method of accounting. This means that transaction costs are included in the carrying amount of shareholdings in subsidiaries. In the consolidated financial statements, transaction costs are expensed as incurred. The value of a contingent consideration is measured based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/reduce the historical cost. In the consolidated financial statements, contingent consideration is measured at fair value with changes through profit or loss.

Group contributions

Group contributions received are recognised through the profit and loss account in the same manner as dividends received in accordance with RFR 2, IAS 18.3. Group contributions paid to subsidiaries are reported by the Parent Company as an investment in participations in group companies in accordance with RFR 2, IAS 27.1-2.

Income taxes

In the Parent Company balance sheet, untaxed reserves are recognised with no division between equity and deferred tax liabilities, in contrast to the Group. Correspondingly, no portion of appropriations is allocated to deferred tax expense in the Parent Company profit and loss account.

Employee benefits

The Parent Company has pension plans of two types:

- ♦ Defined contribution pension plans in which the Parent Company pays fixed premiums to different insurance companies;
- ♦ Defined benefit pension plans that refer primarily to the ITP plan for salaried employees. The company expenses the pension obligation, which is secured through credit insurance with and administered by Försäkringsbolaget PRI Pensionsgaranti, Mutual. Calculation of the defined benefit obligation differs from the assumptions used by the Group in accordance with IFRS mainly in the following ways:
 - The calculation does not take into account future salary increases;
 - The applied discount rate is established by the Swedish Financial Supervisory Authority.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Borrowing costs

In the Parent Company, borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised as part of the cost of an asset.

Financial guarantees

The Parent Company's financial guarantee contracts consist primarily of guarantees issued on behalf of subsidiaries. A financial guarantee contract means that the company has an obligation to reimburse the holder of a debt instrument for losses it incurs because a specified debtor fails to make payment when due. For reporting of financial guarantee contracts, the Parent Company applies a voluntary exemption that is permitted by the Swedish Financial Reporting Board compared to the rules in IAS 39. The voluntary exemption refers to financial guarantees issued on behalf of subsidiaries. The Parent Company recognises financial guarantee contracts as provisions in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation.

Note P2 Breakdown of income

SEKm	2014	2013
Net sales		
Service contracts	88	86
Other income		
Other	–	12
Total income	88	98

The breakdown of net sales by market is as follows:

%	2014	2013
Sweden	46	36
Finland	10	10
The Netherlands	9	22
Italy	13	13
Other	22	19
Total net sales	100	100

Note P3 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

SEKm	2014	2013
Property, plant and equipment	0	0
Total amortisation/depreciation	0	0
<i>Amortisation/depreciation has been allocated by function as follows:</i>		
General and administrative expenses	0	0
Total amortisation/depreciation	0	0

Note P4 Personnel expenses and number of employees

Personnel expenses are specified as follows:

SEKm	2014	2013
<i>Salaries and remuneration</i>		
Group Management		
– Sweden	15	20
<i>Of which, bonuses</i>		
– Sweden	2	7
Total salaries and remuneration	15	20
<i>Pension costs</i>		
Group Management		
– Defined contribution plans	4	4
– Defined benefit plans	0	0
Total pension costs	4	4
Other social security expenses, all	5	8
Total pension costs and other social security expenses	9	12
Total personnel expenses	24	32

See Note 6 for details on the remuneration to senior executives.

The average number of employees is as follows:

	2014	2013
<i>Average number of employees</i>		
– Sweden	5	5
<i>Of whom, women</i>		
– Sweden	1	1

The specification of gender distribution in company management is as follows:

%	2014	2013
<i>Percentage of women</i>		
Board of Directors	50	20
Group management	20	20

Note P5 Audit fees

SEKm	2014	2013
Fees for auditing services	2	2
<i>Fees for other services</i>		
– Tax advice	0	0
– Audit-related advice	0	0
– Other	1	1
Total other services	1	1
Total audit fees	3	3

Auditing services refer to the auditing of the Parent Company's statutory financial statements, the Parent Company's administration by the Board of Directors and the President and the audit of the remuneration to senior executives.

For both financial years 2013 and 2014 KPMG was elected as the auditor of the Group.

Note P6 Net financial items

SEKm	2014	2013
Exchange differences on borrowings and cash	1	-1
Group contributions	39	82
Interest income, group companies	22	10
Interest income on bank balances	0	0
Other financial income	61	92
Interest expenses, third party borrowings	-46	-30
Interest expenses, group companies	-0	-1
Interest expenses on defined benefit pension obligations	-0	-0
Interest expenses on financial liabilities measured at amortised cost	-24	-31
Other interest expenses	-0	-0
Net financial items	-70	-62
Net financial items	-8	29

Note P7 Income taxes

SEKm	2014	2013
Current income tax	-	-
Deferred income tax	5	-1
Total	5	-1
The year's income tax expense corresponds to an effective tax rate of, %	21.6	27.9

SEKm	2014	2013
<i>The difference between the effective tax rate and the statutory tax rate in Sweden is attributable to the following items:</i>		
Taxable profit/loss from ordinary activities	-24	3
Tax calculated at applicable tax rate for the Parent Company	-5	0
Expenses not deductible for tax purposes	0	1
Other	0	0
Tax (benefit)/expense	-5	1
Reported effective tax rate, %	21.6	27.9
Tax rate in Sweden, %	22.0	22.0

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Note P8 Property, plant and equipment

Historical cost SEKm	Land and buildings	Machinery and equipment	Total
1 January 2013			
Acquisition or production costs	4	0	4
Accumulated depreciation and impairments	–	0	0
Book value at 1 January 2013	4	0	4
Movements in 2013			
Depreciation	–	0	0
Disposals	–4	–	–4
	–4	0	–4
31 December 2013			
Acquisition or production costs	–	0	0
Accumulated depreciation and impairments	–	0	0
Book value at 31 December 2013	–	0	0
Movements in 2014			
Depreciation	–	0	0
Acquisitions	–	–	–
	–	0	0
31 December 2014			
Acquisition or production costs	–	–	–
Accumulated depreciation and impairments	–	–	–
Book value at 31 December 2014	–	–	–

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In 2013 Cloetta AB (publ) sold a property at market value to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, for a value of SEK 6m, generating a book gain of SEK 3m.

Note P9 Deferred and current income tax

The split between the deferred tax assets and liabilities can be made as follows:

SEKm	31 Dec 2014	31 Dec 2013
Deferred tax assets	9	4
Total	9	4

Deferred tax assets refer, among other things, to the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

The amounts are as follows:

SEKm	31 Dec 2014	31 Dec 2013
Deferred tax asset to be realised after more than 12 months	9	4
Total	9	4

The composition of deferred taxes on deductible temporary differences (both recognised and unrecognised) and unutilised tax losses carried forward is as follows:

SEKm	31 Dec 2014		31 Dec 2013	
	Recog- nised	Not rec- ognised	Recog- nised	Not recog- nised
Deductible temporary differences	9	–	4	–
Tax losses carried forward	0	–	–	–
Total	9	–	4	–

For the unrecognised deductible temporary differences, unused tax credits and tax losses carried forward, it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities in the same tax group or tax jurisdiction. While judging this probability, management took into account the financial forecast figures and prior year taxable income.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax base of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

The Group has taxable temporary differences for which a deferred tax liability is recognised, since the Group will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will be reversed in the foreseeable future.

The breakdown between the current tax assets and liabilities can be made as follows:

SEKm	31 Dec 2014	31 Dec 2013
Current income tax assets	1	2
Current income tax liabilities	–	0
Total	1	2

Note P10 Shareholdings in group companies

SEKm	Corp. ID no.	Domicile	% of capital		Carrying amount	
			31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Cloetta Holland B.V.	34221053	Amsterdam, the Netherlands	100	100	4,087	4,087
Cloetta België N.V.	0404183756	Turnhout, Belgium	100	100	–	–
Cloetta Suomi Oy	1933121-3	Turku, Finland	100	100	–	–
LEAF Leasing Oy ¹	1905987-0	Turku, Finland	–	–	–	–
Karikkikatu Oy	0723577-7	Turku, Finland	–	100	–	–
Cloetta Danmark ApS	28106866	Brøndby, Denmark	100	100	–	–
Cloetta Norge AS ²	987943033	Høvik, Norway	100	100	–	–
Cloetta Deutschland GmbH	HRB 9561	Bocholt, Germany	100	100	–	–
Cloetta Italia S.r.l.	CR - 163489	Cremona, Italy	100	100	–	–
Saila S.p.A. ³	03903510968	Silvi Marina, Italy	–	100	–	–
Cloetta USA Inc. ⁴	EIN 46-2706408	Wilmington, United States	100	100	–	–
Cloetta Finance Holland B.V.	20078943	Amsterdam, the Netherlands	100	100	–	–
Cloetta Slovakia s.r.o. (formerly known as Leaf Slovakia s.r.o.)	35 962 488	Bratislava, Slovakia	100	100	–	–
Leaf United Kingdom Ltd ⁵	5369788	Southport, United Kingdom	–	–	–	–
Cloetta GGS Holding Ltd. ⁶	08520582	London, United Kingdom	100	100	–	–
FTF Sweets Ltd. ⁷	06775890	Heysham, United Kingdom	100	100	–	–
FTF Sweets USA Inc. ⁷	211476123	Newark, United States	100	100	–	–
Cloetta Nutisal AB (formerly known as Alrifai Nutisal AB) ⁸	556706-9264	Helsingborg, Sweden	100	–	–	–
Cloetta Ireland Holding Ltd. ⁹	544426	Dublin, Ireland	100	–	–	–
Aran Candy Ltd. ¹⁰	285910	Dublin, Ireland	75	–	–	–
Cloetta Produktion Sverige AB	556226-4514	Linköping, Sweden	100	100	536	532
Cloetta Sverige AB	556674-9155	Malmö, Sweden	100	100	–	–
Leaf Sweden IP AB	556877-0092	Malmö, Sweden	100	100	–	–
AB Karamellpojka ¹¹	556063-3223	Alingsås, Sweden	–	100	–	4
Cloetta Development AB	556377-3182	Linköping, Sweden	100	100	2	2
Albisol Education & Conference Ltd ¹²	–	Gibraltar, Spain	–	100	–	–
					4,625	4,625

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1 Leaf Leasing Oy merged into Cloetta Suomi Oy as of 31 December 2013.

2 Cloetta International AS and Cloetta A/S merged into Cloetta Norge AS as of 9 March 2013.

3 Saila S.p.A. merged into Cloetta Italia S.r.l. as of 1 September 2014.

4 Cloetta USA Inc. was incorporated as of 6 May 2013.

5 Leaf UK Ltd. was liquidated as of 29 January 2013.

6 Cloetta GGS Holding Ltd. was incorporated as of 8 May 2013.

7 FTF Sweets Ltd. and FTF Sweets USA Inc. were acquired as of 21 May 2013.

8 Cloetta Nutisal AB (formerly known as Alrifai Nutisal AB) was acquired as of 8 January 2014.

9 Cloetta Ireland Holding Ltd was incorporated as of 23 May 2014.

10 Aran Candy Ltd. was acquired as of 28 May 2014.

11 AB Karamellpojka merged into Cloetta Produktion Sverige AB as of 23 December 2014.

12 Albisol Education & Conference Ltd. was liquidated as of 28 April 2014.

See Note 1 and Note 28 for disclosures on changes in group structure.

No other movements have occurred in investments in subsidiaries during 2013 or 2014.

Note P11 Prepaid expenses and accrued income

The breakdown of prepaid expenses and accrued income is as follows:

SEKm	31 Dec 2014	31 Dec 2013
Prepaid rents, insurance and lease charges	1	0
Other prepaid expenses	0	1
Other accrued income	–	0
Total	1	1

Note P12 Cash and cash equivalents

As of June 2013 a Notional Group Account has been set up and is held by Cloetta Holland B.V. As a result, no cash is presented by Cloetta AB (publ).

Note P13 Equity**Share capital**

The number of shares authorised, issued and fully paid at 31 December 2014 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and

class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

The number of shares outstanding has remained unchanged in 2013 and 2014 and is 288,619,299.

Non-restricted equity**Retained earnings**

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the share premium reserve represent the amount of non-restricted equity available for distribution to the shareholders.

Dividend

No dividend was paid in 2013 or 2014.

Note P14 Borrowings

SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	31 December 2014
				Remaining term > 5 years
Senior secured notes	–	–	990	–
Total	–	–	990	–

SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	31 December 2013
				Remaining term > 5 years
Senior secured notes	–	–	988	–
Total	–	–	988	–

In 2013, the company's terms for the existing borrowing facility were renegotiated in conjunction with the issuance of senior secured notes of SEK 1,000m. The net proceeds from the senior secured notes have been used to refinance existing debt.

See Note 21 for full disclosure of the borrowings.

Note P15 Derivative financial instruments

SEKm	31 Dec 2014		31 Dec 2013	
	Assets	Liabilities	Assets	Liabilities
<i>Non-current</i>				
Interest rate swaps	–	11	–	–
Total non-current	–	11	–	–
<i>Current</i>				
Interest rate swaps	–	9	–	1
Total current	–	9	–	1
Total	–	20	–	1

Note P16 Trade and other payables

SEKm	31 Dec 2014	31 Dec 2013
Trade payables	2	6
Other current liabilities	3	2
Other payables	2	–
Accrued expenses and deferred income	12	17
Total	19	25

Note P17 Accrued expenses and deferred income

SEKm	31 Dec 2014	31 Dec 2013
Accrued personnel-related expenses	5	8
Other accrued expenses and deferred income	7	9
Total	12	17

Note P18 Non-cash items

SEKm	2014	2013
Amortisation/depreciation and impairment of assets	0	0
Capital gains/losses on the sale of non-current assets	–	–10
Unrealised foreign exchange gains/losses	–1	1
Provisions for pensions	0	0
Other non-cash items	–	0
Total	–1	–9

Note P19 Pledged assets and contingent liabilities

SEKm	31 Dec 2014	31 Dec 2013
<i>Pledged assets</i>		
Shares in subsidiaries	4,623	4,623
Total pledged assets	4,623	4,623
<i>Contingent liabilities</i>		
Guarantees on behalf of subsidiaries	203	197
Bank guarantees	0	0
Guarantee for group loan	3,016	2,881
Total contingent liabilities	3,219	3,078

See Note 21 for a description of assets pledged to Svenska Handelsbanken and the holders of senior secured notes.

Note P20 Related party transactions

The Parent Company's holdings of shares and participations in subsidiaries are specified in Note P10.

Receivables from and liabilities to subsidiaries are broken down as follows:

SEKm	31 Dec 2014	31 Dec 2013
Non-current interest-bearing receivables	550	528
Current interest-bearing receivables	0	–
Current interest-free receivables	60	85
Current interest-bearing payables	0	–1
Current interest-free payables	–11	–9
Total	599	603

For the Parent Company, SEK 88m (86), equal to 100 per cent (100) of the year's net sales, and SEK 48m (50), equal to 56 per cent (51) of the year's purchases, refer to subsidiaries in the Cloetta Group. The prices of goods and services sold to and purchased from related parties are set on market-based terms.

In 2013 Cloetta AB (publ) sold a property at market value to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, for a value of SEK 6m, generating a book gain of SEK 3m. In 2014 no transactions between Cloetta AB (publ) including its subsidiaries and AB Malfors Promotor including its subsidiaries have occurred.

At 31 December 2014 the Parent Company's receivables from subsidiaries amounted to SEK 610m (613) and liabilities to subsidiaries amounted to SEK 11m (10). Transactions with related parties are priced on market-based terms. Total costs related to the Long Term Incentive Scheme (LTI) 2013 and 2014 that were recognised in 2014 amounted to SEK 4.5m (4.0), of which SEK 2.7m (0.9) is related to Group Management.

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Proposed appropriation of earnings

Earnings in the Parent Company at the disposal of the Annual General Meeting	
Share premium reserve, SEK	2,711,620,366
Retained earnings, SEK	70,078,785
Loss for the year, SEK	-19,396,781
Total, SEK	2,762,302,370

The Board of Directors proposes that no dividends be paid and that the full earnings be carried forward to new account.

The earnings are to be disposed of as follows	
To be distributed to the shareholders, SEK	0
To be carried forward to new account, SEK	2,762,302,370
Total, SEK	2,762,302,370

The number of shares at 31 December 2014 was 288,619,299.

The Board of Directors and the President give their assurance that the consolidated financial statements and annual report have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, on the Application of International Accounting Standards and Generally Accepted Accounting Standards, and give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 5 March 2015

Caroline Sundewall
Chairman

Ann Carlsson
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

Our audit report was issued on 5 March 2015.

KPMG AB

Helene Willberg
Authorised Public Accountant

The profit and loss accounts and balance sheets of the Group and the Parent Company are subject to approval by the AGM on 23 April 2015. The information in this report is subject to the disclosure requirements of Cloetta AB (publ) under the provisions in the Swedish Securities Market Act. The information was submitted to the media for publication on 12 March 2015, at 08:00 CET.

Auditor's report

To the annual meeting of the shareholders of Cloetta AB (publ), corp. id. 556308-8144

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Cloetta AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 62–140.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corpo-

rate governance statement has been prepared. The statutory administration report and the corporate governance statements are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of other comprehensive income and balance sheet for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Cloetta AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 5 March 2015
KPMG AB

Helene Willberg
Authorized Public Accountant

Five-year overview

SEKm	2014 1 Jan–31 Dec	2013 1 Jan–31 Dec	2012 1 Jan–31 Dec	2011 1 Jan–31 Dec	2010 1 Jan–31 Dec
Profit and loss account in summary					
Net sales	5,313	4,893	4,859	4,658	5,019
Cost of goods sold	–3,325	–3,081	–3,157	–2,911	–3,058
Gross profit	1,988	1,812	1,702	1,747	1,961
Other income	5	12	13	1	16
Selling expenses	–892	–850	–888	–915	–992
General and administrative expenses	–524	–556	–702	–473	–471
Operating profit	577	418	125	360	514
Exchange differences in borrowings and cash and cash equivalents in foreign currencies	–11	–12	20	–12	–13
Other financial income	4	24	5	11	5
Other financial expenses	–232	–220	–290	–599	–634
Net financial items	–239	–208	–265	–600	–642
Profit/loss before tax	338	210	–140	–240	–128
Income tax expense	–96	54	67	172	–211
Profit/loss for the period for continuing operations	242	264	–73	–68	–339
Result after tax from discontinued operations	–	–	–	–	–
Net profit/loss for the period	242	264	–73	–68	–339
<i>Profit/loss for the period attributable to:</i>					
Owners of the Parent Company	242	264	–73	–68	–339
Balance sheet in summary					
Intangible assets	5,882	5,252	5,099	4,811	4,822
Property, plant and equipment	1,667	1,660	1,611	1,318	1,333
Deferred tax asset	84	73	473	447	207
Other financial assets	105	91	88	261	147
Total non-current assets	7,738	7,076	7,271	6,837	6,509
Inventories	853	798	773	640	566
Trade and other receivables	1,121	933	951	1,051	1,198
Current income tax assets	3	0	4	2	1
Derivative financial instruments	2	–	–	–	–
Cash and cash equivalents	229	167	306	97	220
Total current assets	2,208	1,898	2,034	1,790	1,985
Assets held for sale	16	15	35	15	0
TOTAL ASSETS	9,962	8,989	9,340	8,642	8,494
Equity	4,048	3,747	3,326	–385	–1,117
Borrowings	2,993	3,096	2,516	6,077	6,826
Deferred tax liability	483	397	824	728	714
Derivative financial instruments	56	21	3	0	0
Other non-current liabilities	147	2	–	–	–
Provisions for pensions and other long-term employee benefits	505	360	452	250	222
Provisions	16	7	11	24	29
Total non-current liabilities	4,200	3,883	3,806	7,079	7,791
Borrowings	423	212	747	747	642
Derivative financial instruments	16	2	21	0	0
Trade and other payables	1,152	967	1,264	1,038	975
Provisions	65	79	79	60	78
Current income tax liabilities	58	99	97	103	125
Total current liabilities	1,714	1,359	2,208	1,948	1,820
TOTAL EQUITY AND LIABILITIES	9,962	8,989	9,340	8,642	8,494

Key ratios

SEKm	2014 1 Jan–31 Dec	2013 1 Jan–31 Dec	2012 1 Jan–31 Dec	2011 1 Jan–31 Dec	2010 1 Jan–31 Dec
Profit					
Net sales	5,313	4,893	4,859	4,658	5,019
Net sales, change %	8.6	0.7	4.3	N/A	N/A
Underlying net sales, change, %	1.0	-1.0	-4.1	N/A	N/A
Gross margin, %	37.4	37.0	35.0	37.5	39.1
Underlying EBITDA	796	766	597	693	N/A
Underlying EBITDA margin, %	16.0	15.6	12.3	13.7	N/A
Depreciation	-198	-175	-167	-115	-125
Amortisation	-3	-2	-1	-8	-18
Underlying EBIT	609	591	423	522	N/A
Underlying EBIT margin, %	12.3	12.0	8.7	10.3	N/A
Non-recurring items	-55	-167	-309	-209	-163
Operating profit (EBIT)	577	418	125	360	514
Operating profit margin (EBIT margin), %	10.9	8.5	2.6	7.8	10.3
Profit margin, %	6.4	4.3	-2.9	-5.1	-3.3
Financial position					
Working capital	819	763	458	586	649
Capital expenditure	-186	-211	-269	-224	-97
Net debt	3,308	3,230	3,056	2,827	3,070
Capital employed	8,041	7,438	7,066	6,682	6,575
Return on capital employed, %	7.5	6.1	1.9	5.7	N/A
Equity/assets ratio, %	40.6	41.7	35.6	-4.5	-13.2
Net debt/equity ratio, %	81.7	86.2	91.9	-734.3	-274.8
Return on equity, %	6.0	7.0	-2.2	N/A	N/A
Equity per share, SEK	14.0	13.0	11.5	N/A	N/A
Net debt/EBITDA ¹	3.97	4.19	4.90	N/A	N/A
Cash flow					
Cash flow from operating activities	500	131	330	492	379
Investments in non-current assets	-369	-202	-1,506	-335	-83
Cash flow after investments	131	-71	-1,176	157	296
Cash conversion, %	76.6	72.5	54.9	68.9	N/A
Cash flow from operating activities per share, SEK ¹	1.7	0.5	1.1	N/A	N/A
Employees					
Average number of employees	2,533	2,472	2,579	2,192	2,275
Share data					
Earnings per share					
Basic ^{1,2,3}	0.84	0.92	-0.26	-0.26	N/A
Diluted ^{1,2,3}	0.84	0.92	-0.26	-0.26	N/A
Dividend	-	-	-	-	-
Number of shares at end of period (basic) ³	288,619,299	288,619,299	288,619,299	262,137,526	N/A
Average number of shares (basic) ^{2,3}	286,987,990	288,010,947	276,132,021	262,137,526	N/A
Average number of shares (diluted) ^{2,3}	287,092,780	288,026,408	276,132,021	262,137,526	N/A

1 The key figures per share for the years 2009–2011 are not representative for the current group due to a completely different equity structure before the merger between Cloetta and Leaf.

2 Cloetta entered into two long-term forward contracts in order to repurchase own shares to fulfil its future obligation to deliver the shares to the participants in the long-term share-based incentive plan. Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contract to repurchase own shares. The two contracts cover 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.

3 The number of shares for the year 2011 have been restated for the rights issue.

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Cloetta reports in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting, G4, Core. Cloetta's sustainability report covers all operations. The most recent sustainability report was submitted on 6 March 2014. The table of contents below lists all standard disclosures and the chosen indicators that have been identified as the most relevant. The indicators and other contents of the sustainability report have been determined in view of Cloetta's impact on and responsibility to the company's key stakeholders, its dialogue with stakeholders and the company's strategy and goals.

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

Cloetta Holland supports orphanage in Kenya

Cloetta Holland is financing school fees on behalf of an orphanage for vulnerable children in Kenya, a private project initiated by one of the employees at Cloetta. In addition to paying school fees, two employees were offered the opportunity to work for a week at the orphanage to see how the donation is being used and study whether these activities can be improved. This was developed into a “contest” for the best idea. The year’s winner offered to purchase and install a solar cell system and teach the children and staff how to develop commercial ideas that generate income for greater self-sufficiency.

Xander de Bode and Ingrid van Mensvoort, who travelled to Kenya, were enthusiastically supported by their colleagues in organising activities to raise money. During the visit, the solar cells were installed and both the children and staff said they were very satisfied with the commercial ideas.

In 2015 Cloetta’s factory in Sneek will choose two individuals to bring their best ideas to Kenya.



Cloetta's history is full of legendary brands

The Cloetta brothers

In 1862 the three Swiss Cloetta brothers, Bernard, Christoffer and Nutin Cloëtta, founded the company "Brødrene Cloëtta" for manufacturing of chocolate and confectionery in Copenhagen, Denmark. The brothers later moved their manufacturing to Sweden and the company was owned by the Cloetta family until 1917, when the Svenfelt family took over the majority shareholding in Cloetta via the newly formed Svenska Chokladfabriks AB. The Svenfelt family has major ownership interests in Cloetta to this day.



1800-talet	1900–1910	1920	1930–1940	1950–1960
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Cloetta's oldest brands date from the 1800s

In 1836 Sperlari was launched in Italy, and in 1878 Venco was launched in the Netherlands.



1900–1913, industrialisation can be exploited

Electrification and railway construction accelerated the pace of industrialisation, a critical enabler for businesses like the Swedish companies Ahlgrens and Cloetta, which were active in industrial production of confectionery. Läkerol was launched in 1909 and Guldnougat in 1913. Läkerol was also launched in Denmark in 1910 and Norway in 1912. In the Netherlands, the pastille brand King was launched in 1902.



The roaring twenties

The confectionery industry grew after the war. The slogan "Choose right – choose Cloetta" was created in 1921. In 1928 Sisu was launched in Finland, Red Band in the Netherlands and Tarragona in Sweden.



The 1930–40s, launch of strong brands

Malaco (Malmö Lakrits Compani) was founded in 1934 during the period between the two world wars. Sportlunch (then called Mellanmål) was launched in 1937, as was Saila in Italy. Kexchoklad was introduced in 1938 and Center in 1941. Plopp was launched after WWII in 1949.



1950–60s – an interest in the USA and cars

The chewing gum Jenkki (Yankee) was launched in Finland in 1951. Ahlgrens bilar – the world's best-selling car, was launched in 1953 with Italian Bugatti as its inspiration.

The double countline Tupla was launched in Finland in 1960. In Sweden, Polly was launched in 1965 and Bridgeblandning in 1966. Chewits were launched in the United Kingdom in 1965. The first marshmallow Santas were also sold in the 1960s.





1970

1970s – fresh and healthy

In Italy, Galatine was launched in 1970 as a candy for children. Also in 1975, the world's first chewing gum with xylitol was launched by Jenkki in Finland. The Mynthon pastille was introduced in Finland in 1976. In 1977 Dietorelle launched sugar-free confectionery in Italy, and in 1979 the sweetener Diator was launched in Italy.

In Sweden, the mixed candy bag Gott & Blandat was launched in response to the growing popularity of pick-and-mix.



1980

1980s, chewing gum further developed

In 1981 Sportlife was launched as the first chewing gum in "blister" packaging. In the Netherlands, the country's first chewing gum with 100 per cent xylitol, Xylifresh, was launched in 1988.



1990

1990s – consolidation of the confectionery industry

CSM, a Dutch sugar and food products company, acquired Red Band in 1986. Leaf acquired Ahlgrens (with Läkerol and Ahlgrens bilar) in 1993. CSM acquired Malaco in 1997. Cloetta acquired Candelia (with Polly and Bridgeblandning) in 1998 and CSM acquired Leaf in 1999. Cloetta's share was listed on the Stockholm Stock Exchange in 1994.



2000

2000s – new groups formed

During the period from 2000 to 2009, Cloetta was part of the Cloetta Fazer group. After the demerger in 2009, the independent Cloetta was listed on NASDAQ OMX Stockholm.

In 2000 CSM acquired Continental Sweets and thereby strengthened its position primarily in France and Belgium, but also in the Netherlands and the United Kingdom. In 2001 CSM acquired Socialbe in Italy (with Dietorelle and Diator).

In 2005 CVC and Nordic Capital acquired CSM's confectionery division, which changed name to Leaf.

2010–

2010s – Cloetta grows

Cloetta and Leaf were merged in 2012. 2014 Cloetta acquired Nutisal, a leading Swedish company which roasts and sells dry roasted nuts. In the same year The Jelly Bean Factory was acquired, which produces gourmet jellybeans with the main market in United Kingdom.



Definitions and glossary

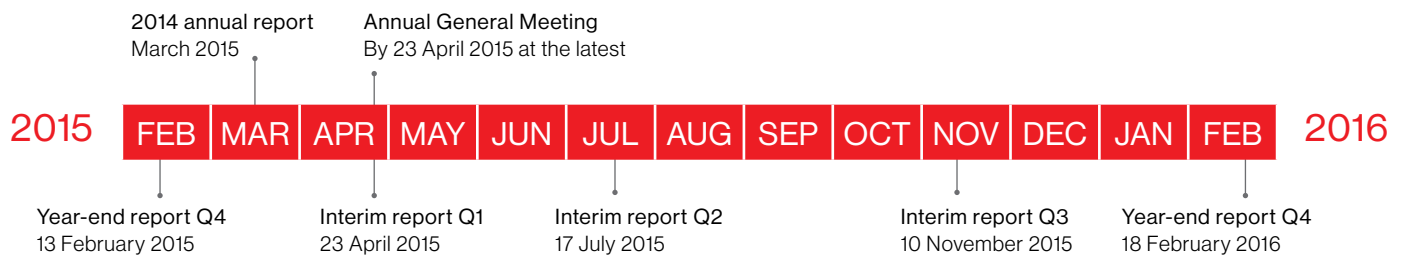
General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparable figures for the same period of the prior year, unless otherwise stated.
Margins	
EBITDA margin	EBITDA expressed as a percentage of net sales.
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating profit 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, credit overdraft facility, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/EBITDA	Net debt/EBITDA according to the credit facility agreement definition. Difference of Net debt in credit facility agreement compared to the external Net debt-definition is that the definition in credit facility agreement includes the minimum contingent earn-out considerations but excludes the financial derivative instruments. The EBITDA in the credit facility agreement definition corresponds with the underlying EBITDA but is based on actual exchange rates and it includes the rolling twelve months of the EBITDA of the acquired companies where the underlying EBITDA excludes these results.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.
Third-party borrowings	Total non-current and current borrowings excluding loans to former shareholders and finance lease liabilities.
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 the actual and constant rate and the impact of acquisitions on the Group results.
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, EBITDA	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

BRC Global Standards for food safety	A leading safety and quality certification program. Many European and global retailers will only consider business with suppliers who have gained certification to the BRC Global Standard.
Factory restructurings/restructurings	Due to excess capacity, Cloetta has closed factories in Sweden, Denmark and Finland during 2012/2013.
BRC Global Standards for food safety	A leading safety and quality certification program. Many European and global retailers will only consider business with suppliers who have gained certification to the BRC Global Standard.
GRI Global reporting standard	A network-based organisation whose founders include the UN. GRI has pioneered the development of a framework for the structure and content of sustainability reporting.
ICC	International chamber of commerce.
ILO	International Labour Organization, United Nations agency dealing with labour issues.
Integration	Cloetta and LEAF were merged on 16 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.
ISO 9001 and ISO 14001	International Organization for Standardization. ISO 9001 address
OHSAS 18001	International occupational health and safety management system specification.
Polyols	Sugar alcohols that resemble sugar and are used as sweeteners.
UTZ	Certified standards for sustainable farming and better opportunities for farmers and the environment.

Shareholder information

Financial calendar



Shareholder information

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jacob.broberg@cloetta.com or ir@cloetta.com

Danko Maras, CFO, +46 8 527 288 00.

Annual General Meeting

The Annual General Meeting will be held on Thursday, 23 April 2015, at 4.00 p.m., at conference center 7A Odenplan, Odengatan 65 in Stockholm, Sweden. The Notice of the Annual General Meeting will be published in March 2015.

Registration

Registration to participate in the AGM must be received by the company no later than Friday, 17 April 2015.

Mail:
Cloetta AB
"Annual General Meeting"
Box 7841
S-103 98 Stockholm, Sweden

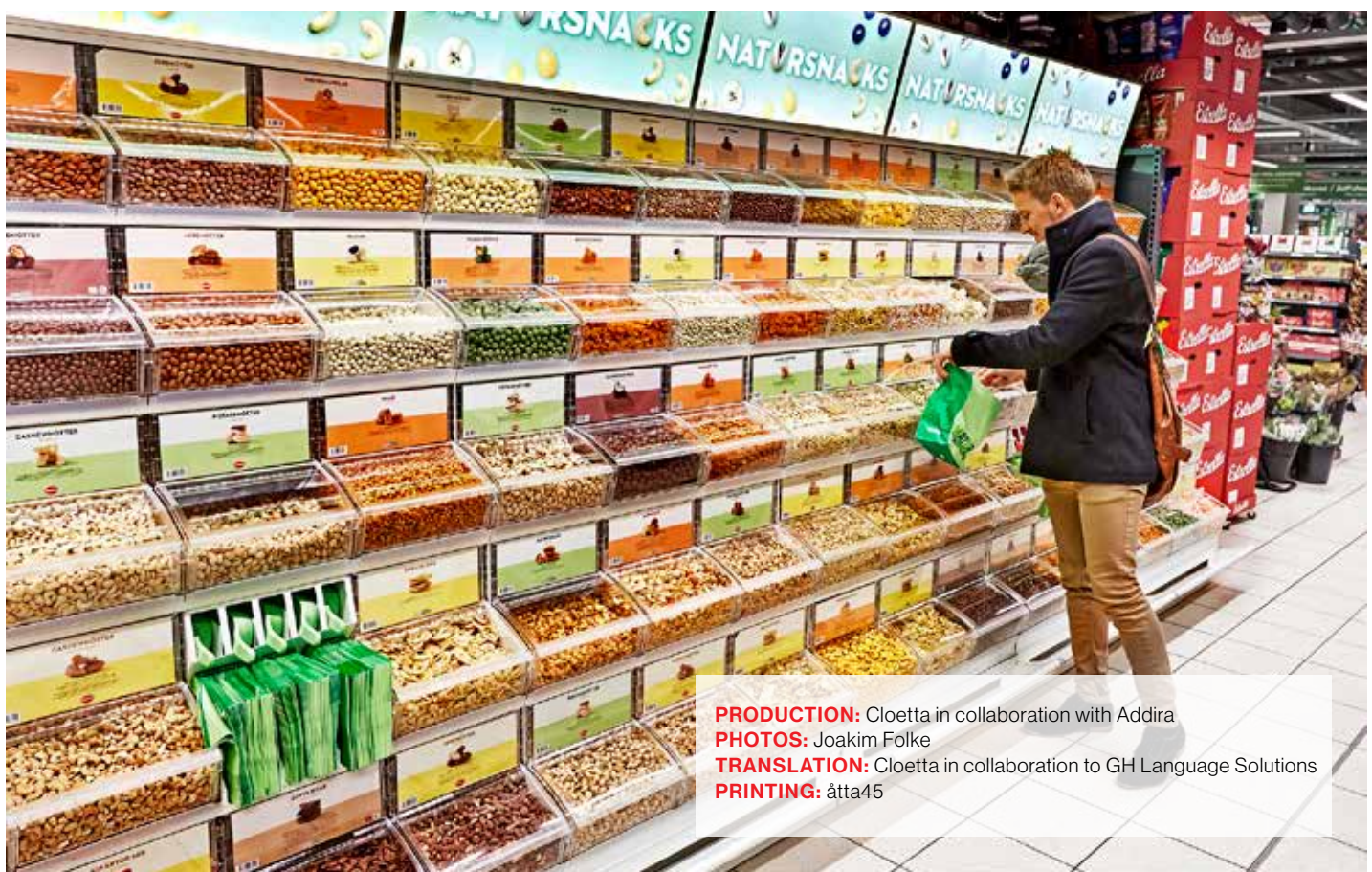
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To order the annual report

The annual report is published in Swedish and English. The printed annual report can be ordered via the website. It can also be downloaded from www.cloetta.com.



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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 Stockholm.

Cloetta

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