Cloetta

Annual report 2015

Munchy Moments

This is Cloetta

A leading confectionery company in the Nordic region, the Netherlands and Italy

Founded by the three Cloetta brothers in 1862

Listed on Nasdaq Stockholm

Cloetta's strengths

- Strong brands and market positions.
- Excellent availability in stores enabled by a strong and effective sales and distribution organization.
- Good consumer recognition and loyalty.
- Innovative product and package development.
- Efficient production with high and consistent quality.

Market-leader in

Sweden, within:
Sugar confectionery
Chocolate countlines
Pastilles
Chocolate bags

Norway, within:
Pastilles
Sugar confectionery

Denmark, within:
Pastilles
Sugar confectionery

The Netherlands, within:
Pastilles
Sugar confectionery
Chewing gum

Finland, within:
Pastilles
Chewing gum
Sugar confectionery

Italy, within:
Seasonal products
Sweetener
Sugar confectionery

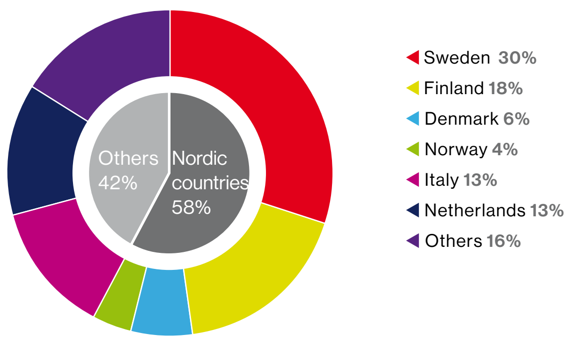
Vision
To be the most admired satisfier of Munchy Moments

Mission
To bring a smile to your Munchy Moments

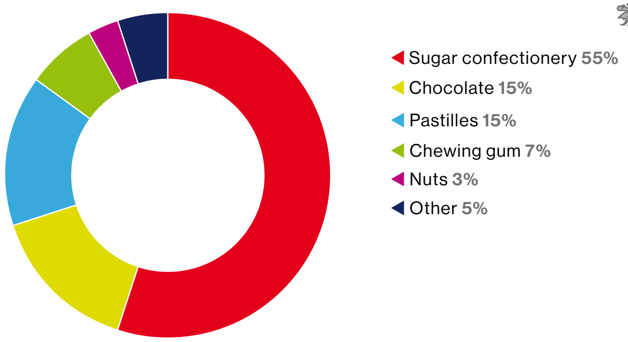
The vision, together with the goals and strategies, expresses Cloetta's business concept.

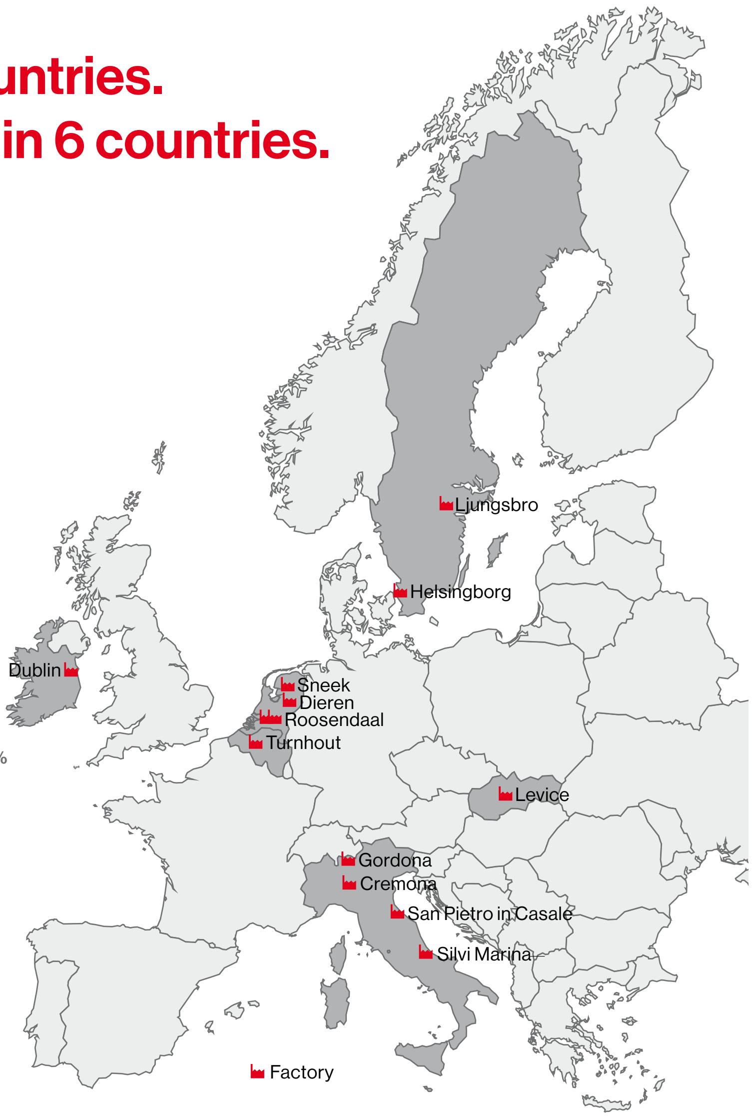
2,600 employees in 14 countries.
Production at 13 factories in 6 countries.

Cloetta's net sales by country



Cloetta's net sales by category





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The audited annual report for Cloetta AB (publ) 556308-8144 consists of the administration report and the accompanying financial statements on pages 1–4, 6–7 and 58–135. The annual report is published in Swedish and English. The Swedish version is the original. ■ The audited annual report.

Highlights of 2015

Q1

- The new pick-and-mix concept with a total of more than 150 products is implemented in 700 Coop stores in Sweden.

Q2

- David Nuutinen is appointed as the new President and CEO after Bengt Baron announced his decision to leave the company. Ville Perho is appointed as the new President in Finland.

Q3

- Cloetta acquires Locawo B.V. (Lonka) – a Dutch company that produces and sells fudge, nougat and chocolate. Lonka had net sales of around SEK 300m in 2014.

Q4

- Cloetta is named Listed Company of the Year after having won the Best IR Website and Best Annual Report during the year.
- A decision is made to close the factory in Dieren, the Netherlands, at the end of 2016 and transfer production to the factory in Levice, Slovakia.

Examples of new launches during the year

Sweden, Denmark, Norway
Läkerol DentaFresh

Sweden, Finland, Norway
Cloetta Crispy Bite

The Netherlands
Red Band Sweet'n Pure

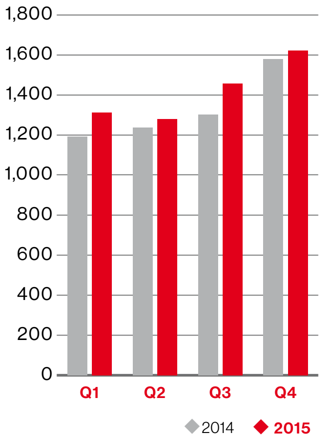
Italy
Galatine Strawberry
Sperlari – Strawberry and Lemon

Finland
Malaco Mini-bags

Sweden, Finland
Nutisal Dry Roasted Peanuts

Net sales

SEKm



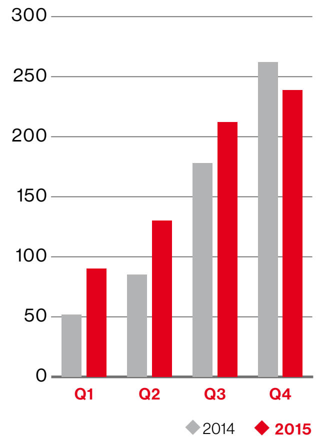
Key ratios

SEKm	2015	2014	2013	2012	2011
Net sales	5,674	5,313	4,893	4,859	4,658
Operating profit (EBIT), adjusted	690	632	585	432	565
Operating profit margin (EBIT margin), adjusted %	12.2	11.9	12.0	8.9	12.1
Operating profit (EBIT)	671	577	418	125	360
Operating profit margin (EBIT margin), %	11.8	10.9	8.5	2.6	7.8
Profit/loss before tax	493	338	210	–140	–240
Profit/loss for the period	386	242	264	–73	–68
Earnings per share, basic and diluted, SEK	1.35	0.84	0.92	–0.26	–0.26
Net debt/EBITDA, x	3.03	3.97	4.19	4.90	N/A
Cash flow from operating activities	927	500	131	330	492

For definitions, see page 139.

Operating profit

SEKm



Cloetta stands strong

In 2015 Cloetta once again delivered an increase in both profit and sales together with a very strong cash flow.

2015 was a record year for Cloetta. All in all, sales were up by 6.8 per cent, of which 1.5 per cent was organic growth. This sales growth, combined with lower restructuring costs and good cost control, enabled us to boost our profitability yet again in 2015. Operating profit for the full year reached a record high of SEK 671m (577). Profit after tax was SEK 386m (242), which is equal to earnings per share of SEK 1.35 (0.84).

Very strong cash flow, reduced debt and proposed dividend

Cash flow from operating activities remained very strong and reached SEK 927m (500) for the year. This yet again demonstrates the strength of Cloetta's cash-generating ability. The strong cash flow and improved earnings led to a continued decrease in the net debt/equity ratio to 3.03x (3.97), despite the acquisition of Lonka during the year. We are thus well on track to meeting our targeted net debt/EBITDA ratio of 2.5x, and in response to this the Board of Directors is proposing a dividend of SEK 0.50 per share (–). This shows that Cloetta stands strong.

Acquisition of Lonka and new pick-and-mix concept contribute to Cloetta's growth

The confectionery market is normally characterized by relatively low but steady sales growth. And although a market can be down for a month, a quarter or, in exceptional cases, an individual year, that is unusual. The stability of market development contributes to making the confectionery market attractive, particularly in times of economic uncertainty. But to achieve faster growth you need acquisitions or new, more large-scale initiatives.

Cloetta therefore made acquisitions in 2015, just as we did during 2014. In July 2015 we acquired Lonka, which has significantly strengthened Cloetta's position in the Netherlands. Other important markets for Lonka are the Nordic countries and the UK, especially within pick-and-mix.

In 2015 Cloetta also rolled out a whole new pick-and-mix concept at Coop Sweden. By going in as a total supplier in the important Swedish pick-and-mix market, we have been able to drive profitable growth.

Both the acquisition of Lonka and our new pick-and-mix concept show that Cloetta has the ability to create growth through new initiatives.

Price increases in response to changes in raw material costs and exchange rates

All in all, Cloetta's raw material costs were more or less unchanged during the year, although prices have risen for a few specific raw materials, such as nuts. Furthermore, purchase costs for certain products have been affected by exchange rate differences. In response to changes in raw material prices and exchange rates, Cloetta has been forced raise its prices for certain markets and products.

Cloetta impacted by long-term trends

There are obviously many factors that affect the confectionery market, and thereby also Cloetta as a company. These include the price trend for raw materials, our ability to stay cost-effective in order to contend with price pressure and competitors, and our capacity to make successful launches. But in addition to these, there are also trends that are crucial for us to stay abreast of and adapt to.

The first trend is, of course, the consolidation and structural transformation of the grocery retail industry. This has led to fewer stores at the same time that floor space per store has grown larger, but also to significantly greater price pressure on suppliers. In certain cases a consolidated industry can be an advantage, provided that you are a market-leader and have strong brands, since it can provide access to greater and better shelf space. For Cloetta with its strong and often leading brands, it should be positive. But the overall impression is nonetheless that consolidation and the accompanying price pressure have had a negative impact on suppliers, both large and small, over a long period of time.

Another aspect of the industry's transformation is that consumers are increasingly consuming our products outside the home, on the way to or from different activities. This places demands on us as a company to be available and relevant in as many places as possible with both products and smart packaging solutions. This is an area where I think Cloetta has done very well, since we have succeeded in finding new channels and ways of distributing our products. But there is more to be done here.

The second trend is the industry's expansion into e-commerce. Online purchasing of groceries, and therefore confectionery, is still very low compared to many other products and services. E-commerce in the grocery retail industry currently accounts for no more than 1–2 per cent in most of our markets, but is growing fast. If this trend continues, within a few years we will have significant online grocery sales. Here it is vital for us as a company to both work together with the retail trade and in certain cases also through our own channels to ensure that we defend our share of grocery sales as these increasingly move online.

A third trend involves a stronger focus on natural raw materials, health and functional confectionery and snacks. Having fewer products with sugar is not an end in itself for Cloetta. Instead, our aim is to follow the consumers and offer a "Munchy Moment" regardless of whether it contains sugar or not. And, in fact, around 30 per cent of Cloetta's products are sugar-free. This naturally applies to nuts, but also several of our pastilles and chewing gums.

In this context, we also have the ongoing debate about sugar and the risks associated with overconsumption. From time to time the confectionery industry is pointed out as the main reason why many people are eating too much sugar. But the biggest challenge with regard to sugar consumption is the "hidden sugar" that is found in many food products, not in that which is sold by the confectionery industry. It is this hidden sugar that lies behind the sometimes excessive consumption of sugar. In reality, sugar confectionery is one of the most "honest" products since consumers know specifically that it contains sugar. The discussion about sugar should therefore focus more on the relatively high consumption of hidden sugar instead of the occasional instances when consumers choose to treat themselves to confectionery.

David Nuutinen

Born in Toronto, Canada, to Finnish parents. Moved to Finland at the age of five. Both Finnish and Canadian citizen.

After graduating from the Helsinki School of Economics, he has devoted his entire career to consumer goods companies like Cloetta, PepsiCo, McDonalds and Vaasanmylly in Finland and Germany.

Married, with two children who he has previously coached in football and floorball.

In his free time David likes to watch motor racing, preferably Formula 1.

Sustainability work developed

Cloetta strives to build sustainable long-term value by growing as a company while at the same time ensuring that both people and the environment are positively affected. Cloetta's sustainability commitment is made up of three main components; greater well-being, reduced environmental impact and sustainable sourcing. For each of these prioritized areas there are action plans, targets and key performance indicators.

In the area of sustainable sourcing, Cloetta has prioritized a number of raw materials. All cocoa and chocolate that we purchase is UTZ-certified. This means that we are giving cocoa growers opportunities to develop sustainable farming. We have a policy for palm oil that is aimed at combatting destruction of rainforest and all palm oil that is used indirectly by Cloetta is certified by the RSPO (Round Table of Sustainable Palm Oil) through GreenPalm certificates. Furthermore, in the past year Cloetta chose to become a member of Bonsucro, an organization devoted to addressing sustainability challenges in the sugarcane industry.

In the past year Cloetta also defined long-term goals that extend until 2020. In light of this, it is encouraging that in 2015 we were once again able to see that our efforts to reduce the company's environmental impact are moving in the right direction. Through a continued focus on energy use, waste management and emissions, we have improved all environmental key indicators compared to the previous year.

In 2015 we continued to enhance Cloetta's safety culture. The results during the year showed a substantial improvement over the previous year, which is gratifying. All employees should be able to make demands on safety in their place of work.

Since it is our ambition to meet international standards, our sustainability report has been prepared in accordance with the guidelines in the Global Reporting Initiatives (GRI).

Strategy stands firm

2015 was an excellent year for Cloetta. Our ambition for 2016 is therefore to continue focusing on profitable growth, operational excellence in the supply chain through our Lean 2020 initiative, growth and cost synergies in the acquired companies and new growth initiatives in pick-and-mix.

A successful year like 2015 would naturally not have been possible without the contributions of every employee in Cloetta and the unwavering appreciation shown by customers and consumers. The support and trust we have been given by employees, shareholders, customers and consumers strengthen my conviction that our chosen strategy is working.

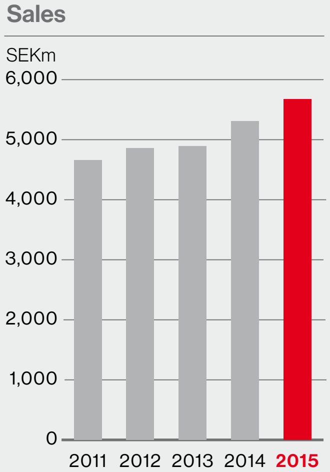
David Nuutinen
President and CEO

Long-term financial targets

Organic sales growth

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

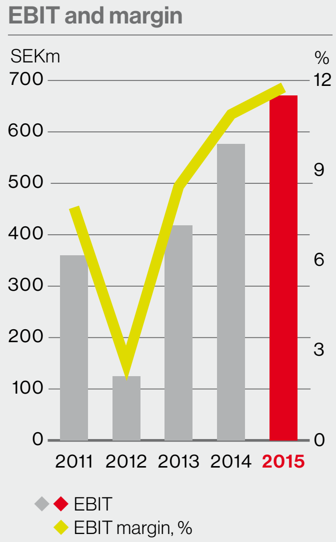
Comments on the year's outcome
Historically, total annual growth in the markets where Cloetta is active has been around 1–2 per cent. In 2015 Cloetta achieved sales growth of 6.8 per cent, of which organic growth accounted for 1.5 per cent.



EBIT margin

• Cloetta's target is an EBIT margin, adjusted, of at least 14 per cent.

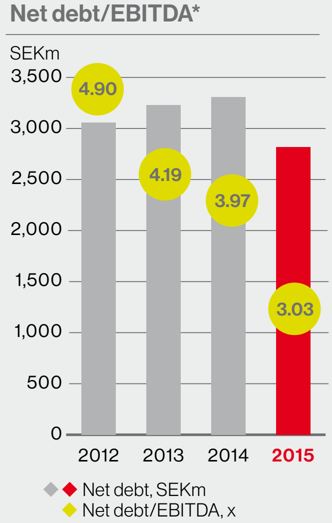
Comments on the year's outcome
In 2015 the EBIT margin improved from 10.9 per cent to 11.8 per cent as a result of higher efficiency in the factories and lower restructuring costs compared to 2014. The EBIT margin, adjusted, was 12.2 per cent (11.9).



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 3.97x to 3.03x, despite acquisitions and one-off restructuring costs.



* The definition of net debt/EBITDA is aligned with the definition used in the credit facility agreement. See definition on page 139.

Dividend policy

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

Comments on the year's outcome: The net debt/EBITDA ratio has decreased markedly in the past few years and is nearing the targeted net debt/EBITDA ratio of 2.5x. In view of the strong cash flow and improved EBITDA, the Board proposes a dividend of SEK 0.50 for 2015, which corresponds to 37 per cent of profit after tax. The ambition is to continue using future cash flows for repayment of debt and share dividends, but also to create financial flexibility for complementary acquisitions. No transfer of value to the shareholders took place during 2015.

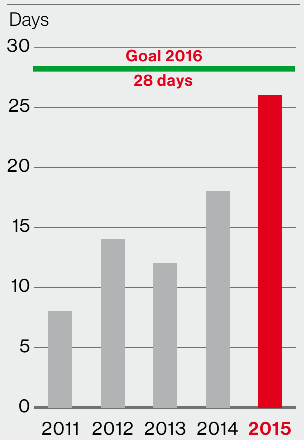
Long-term sustainability targets

Greater well-being

Employees

- The number of days between occupational accidents with >1 day of sickness absence will exceed 28 days in 2016.
- Great Place to Work – the Trust Index will exceed 63 per cent in 2016.

Days between occupational accidents
(average number of days between incidents leading to >1 day of absence)

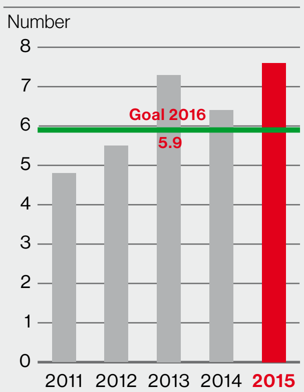


The number of occupational accidents has continued to decrease measured as days between accidents. Cloetta has continued to work with attitudes toward risks, improvements in the equipment and implementation of policies. The use of discussions and workshops promotes safety awareness, which is critical in changing behaviour. Read more on page 51.

Consumer complaints

- Cloetta's consumers should know that the products are safe and of a high quality. The number of consumer complaints in 2016 will not exceed 5.9 ppm (number per sold million).

Consumer complaints,
feedback per million sold consumer units



Reduced environmental impact

Energy consumption

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

Waste

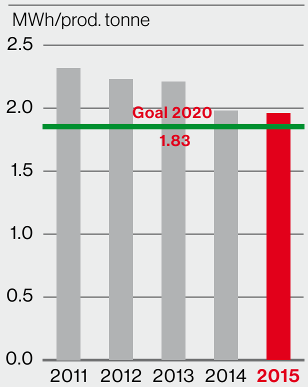
- Reduce the volume of waste in relation to the produced volume (kg/tonne) by 25 per cent by 2020.

Carbon dioxide emissions

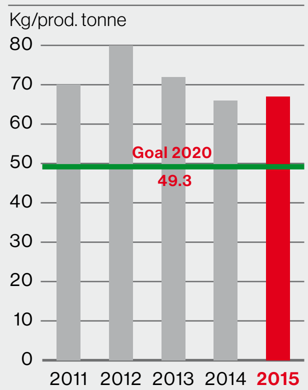
- Reduce CO_2 emissions from production in relation to the produced volume (kg/kg) by 5 per cent by 2020.

The base year for the three 2020 targets is 2014.

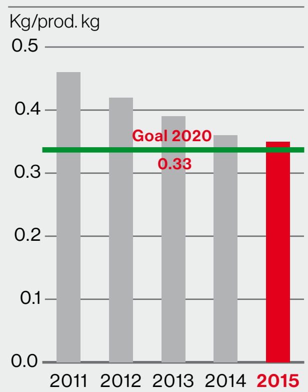
Energy consumption



Waste



Carbon dioxide emissions



CO_2 equivalents are linked to the Group's use of different energy types. Transports are excluded.

Sustainable sourcing

Responsibility for raw material producers

- Sustainability programmes implemented for all prioritized raw materials.
- 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 2020 the same pipeline must be traceable down to known plantation.
- 100 per cent of the cocoa and chocolate purchased by Cloetta must be UTZ-certified.

Comments on the year's outcome

Sustainability programmes have been implemented for cocoa and palm oil. For shea butter and cane sugar, sustainability programmes are under development.

100 per cent of the cocoa purchases were UTZ-certified and 97.5 per cent of the palm oil was traceable down to known mills in 2015.

GreenPalm SUSTAINABILITY

UTZ Certified cocoa

Strategies and activities

In connection with the merger between Cloetta and Leaf in 2012, the Group formulated its strategies for profitable long-term growth. Since then, net sales have risen by around 17 per cent through both organic and acquisition-driven growth and Cloetta's operating profit has increased from SEK 125m in 2012 to SEK 671m in 2015. The improvement in earnings is mainly attributable to the merger between Cloetta and Leaf, cost rationalizations in the supply chain and a sharp decrease in restructuring costs.

Strategies

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.

Focus on cost-efficiency

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

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 leadership and teamwork.

2012 Merger between Cloetta and Leaf

- New vision for the Group
- New Group Management Team
- New organization
- New financial targets
- New strategy

2013 Focus on: Factory restructuring programme is carried out
Renegotiation of credit facility

Growth through acquisitions
- In the second half of the year, sales increase after an extended period of flat growth.
- The Goody Good Stuff brand is acquired.

Cost-efficiency
- The integration of Cloetta and Leaf is completed.
- Factory restructuring work and closure of factories.
- The Group's borrowing costs are reduced through bond issue and renegotiation of credit facility.

Sustainability
- New vision, mission and values are communicated in the organization through workshops with all employees.

2014 Focus on: Factory restructuring programme is completed
New markets and segments through acquisitions

Growth in new markets/segments
- Acquisition of Nutisal, which dry roasts and markets nuts, is completed.
- Cloetta launches a new chocolate range in Finland under the Cloetta brand.
- The Jelly Bean Factory brand is acquired to strengthen Cloetta's presence in the UK market.

Cost-efficiency
- The factory restructuring programme is completed. Production from the closed factories has been transferred mainly to Levice, Slovakia, and Ljungsbro, Sweden. Production from third-party suppliers is taken over by the Group's factories.

Sustainability
- New sustainability goals are formulated.
- All cocoa is sourced from UTZ-certified cocoa farmers starting at the end of the year.
- Decision that all palm oil must be 100 per cent traceable.

2015 Focus on: Deliver improved profitability
New pick-and-mix concept and acquisition

Growth through new pick-and-mix concept and acquisition
- Launch of a new pick-and-mix concept in Sweden with Coop Sweden as the first customer.
- Acquisition of Lonka. The acquisition will significantly strengthen Cloetta's position in the Netherlands.

Cost-efficiency
- Cloetta starts Lean programme in production.
- A joint ERP system is deployed in most of the Group's countries and units.

Sustainability
- New salary framework and benefit structure are implemented.
- Continued efforts to develop sustainability programmes for prioritized raw materials.

Cloetta's value chain

Cloetta's ambition for creating value is »To bring a smile to your Munchy Moments«. Through innovative product development, efficient purchasing and high-quality production, combined with exciting marketing and good relations with the retail trade, Cloetta also creates economic value. At the same time, Cloetta strives to have a positive impact on people and the environment.

Value creation

1 Product development

- Product development is driven by a combination of consumer needs/preferences, innovation and possibilities in the existing production structure.

2 Purchasing

- Cloetta's total purchasing costs amounted to SEK 3,726m, of which SEK 2,145m refers to raw materials and consumables used. Of these, packaging materials are the largest cost item and account for around 23 per cent. The three main raw materials in terms of purchasing costs are sugar, cocoa and milk powder.

3 Production

- Cloetta had an average of 2,583 employees during 2015 and total payroll costs amounted to SEK 1,277m.
- Cloetta's 13 factories had 1,940 employees.
- During the year, Cloetta produced 120 thousand tonnes of confectionery, chewing gum and nuts.

Sustainable corporate responsibility

1 Product development

- A long-term programme, NAFNAC, (No Artificial Flavours, No Artificial Colours) is being conducted in order to offer a portfolio of products that contain no artificial flavours or colours.
- Through the acquisition of Goody Good Stuff, the Group has gained access to a new technology for production of gummy candy.

2 Purchasing

- All suppliers to Cloetta's production are subject to an approval process in which both product safety and corporate responsibility are evaluated.
- Cloetta promotes sustainable production of prioritized raw materials: cocoa, palm oil, cane sugar and shea butter, read more on pages 43–45.

3 Production

Environment
- Development of more energy-efficient processes.
- Waste is sent to material recycling and energy recovery.
- Systematic environmental management in all production units.

Occupational health and safety (OHS)
- Focus on personal safety.
- OHS activities with systematic monitoring and follow-up.

Product safety
- Product safety system.
- Focus on measures to prevent serious product complaints. Read more on page 32.

Investments
A large share of the capital that is generated is normally reinvested in operations, for example through investments in activities aimed at strengthening competitiveness and creating long-term value for the Group and its stakeholders.

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

Repayment of loans

4 Customers

- Total net sales amounted to SEK 5,674m. Cloetta's largest customer category is the grocery retail trade. The service trade is also a very important customer group.
- In general, the customers require BRC or ISO certification.
- Unnecessary transport packaging is avoided and transports are optimized. All packaging can be sorted at source.

5 Consumers

- We satisfy Munchy Moments.
- Feedback about complaints and viewpoints.
- Products of high quality that are marketed responsibly.
- Offer consumers a wide range of natural products.

Profit for the year, SEK 386m

Shareholders
A certain share of non-restricted equity is distributed to Cloetta's shareholders in the form of dividends, after the operations have been provided with the capital necessary for development. For 2015 the Board has proposed a dividend of SEK 0.50 per share, equal to a total of SEK 144m. No transfer of value to the shareholders took place during the year.

Economic impact

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

Economic value generated and distributed (SEKm)	Stakeholders	2015	2014
Revenue	Customers	5,674	5,313
Other operating income	Business partners	0	5
Financial income	Business partners	6	4
Total generated value		**5,680**	**5,322**
Distributed as			
Personnel expenses	Employees	–1,277	–1,194
Raw materials and consumables used	Suppliers	–2,145	–2,049
Other operating expenses	Suppliers/business partners	–1,581	–1,498
Financial expenses including exchange differences	Business partners	–184	–243
Income tax	Government	–107	–96
Remaining in the company		**386**	**242**

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, Finland, Norway, Denmark, the Netherlands and Italy. 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.

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 places almost exclusively through the development of existing strong confectionery brands, the continuous launch of new flavours and products is a critical 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 19 per cent of the total market in Cloetta's home markets.

Competitive market

The global market for confectionery is dominated by international companies like Mars/Wrigley, Mondelez, Nestlé, Ferrero, Perfetti, Haribo, and Lindt & Sprüngli. 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. 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 market is worth around SEK 5bn in the Nordic region and is growing by 5–8 per cent annually in Western Europe. The retailer's private labels 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, brand, availability and product placement are key success factors.

The European confectionery market is characterized by strong consumer loyalty to local brands. The main aspects when buying are brand, taste, quality and curiosity about new products.

Consumption patterns and taste preferences vary between 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

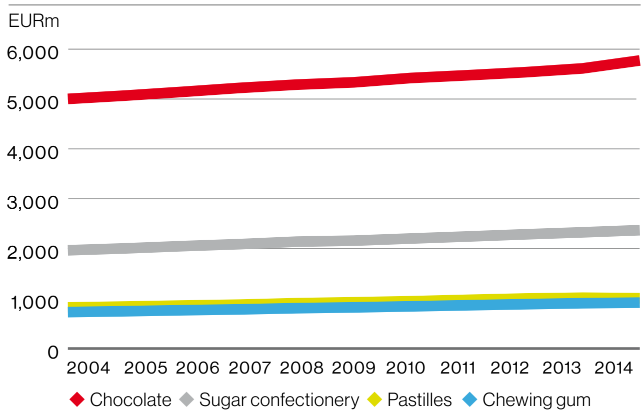
The pick-and-mix category has a very strong position in the Nordic countries and accounts for a high share of total confectionery consumption, while consumption of pick-and-mix is considerably lower in Central Europe where packaged sugar confectionery and chocolate have a stronger position.

Traditional sales channels

Cloetta's foremost sales channels in all markets are the grocery retail trade and the service trade. The grocery retail trade has undergone extensive consolidation and restructuring over the past ten years, and 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, which means that the channel can place high demands on its suppliers. At the same time, as a leading supplier Cloetta has the opportunity to develop partnerships that benefit both parties. Strong brands and high-quality products that are attractively priced and can be effectively displayed and marketed are therefore of major importance.

Finland is the most centralized of Cloetta's markets and the Italian grocery trade is the most fragmented, which among other things demands a bigger sales organization.

Market development in Cloetta's main markets[1]



1) Includes Sweden, Finland, Norway, Denmark, the Netherlands and Italy.
Source: Datamonitor and Mintel

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.

Coop, REMA 1000, JUMBO supermarkten, ESSELUNGA, KESKO, ICA, S MARKET, Carrefour, SPAR, Auchan

Service trade

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

7-Eleven, MIX, Statoil, OK Q8, Shell, Pressbyrån, R kioski

Other sales channels

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

swedavia Swedish Airports, VIKING LINE, Autogrill, SF Bio, SJ, bennet, JULA, K-RAUTA

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

New sales channels

Because availability and strong brands are two key factors for impulse-driven purchases, Cloetta continuously evaluates new types of sales channels in order to ensure availability where the consumers are found.

Other sales channels include those 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.

E-commerce

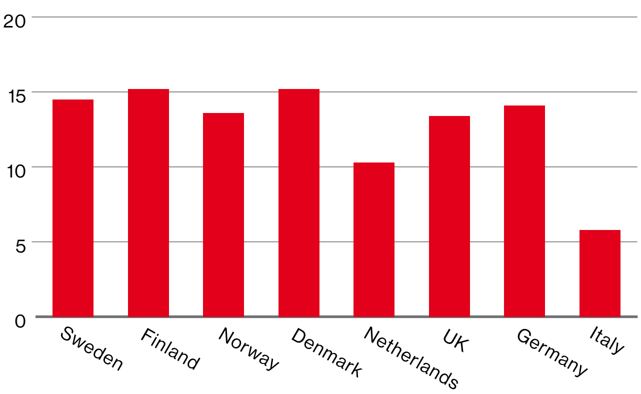
Online grocery sales are increasing rapidly, albeit from very low levels. In Cloetta's main markets, e-commerce currently accounts for 1–2 per cent but is expected to continue its steep growth trajectory. Forecasts indicate that in certain countries, e-commerce in grocery retailing can reach 10–15 per cent by 2020. In the UK and the USA e-commerce already represents between 5–10 per cent of the market, and in China, 40 per cent of the population has shopped for groceries online. All this has motivated grocery retailers to significantly step up their e-commerce investments in recent years.

From a historical perspective, the consumer goods industry has not been a leader in e-commerce, but according to certain forecasts, half of growth in the next five years will be driven by online sales.

E-commerce, social media and digital marketing are becoming increasingly interwoven, making it possible for consumer goods companies to create closer and better direct communication with consumers. As a result, more and more consumer goods companies are investing in in-house capacity in these areas. It also means that many food and beverage producers are building up e-commerce capabilities in order to sell directly to consumers.

Per capita confectionery consumption in 2014

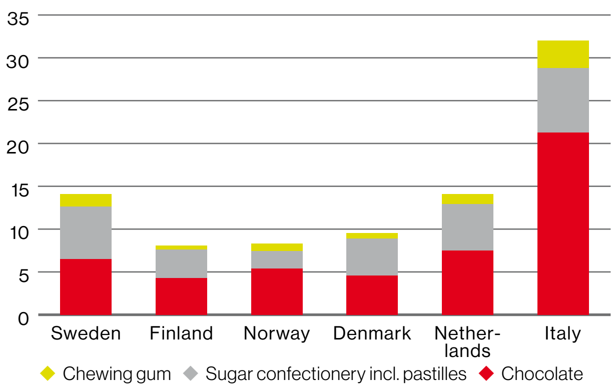
Kg per person and year



The graph refers to sugar confectionery and chocolate in the countries where Cloetta is active.
Source: Datamonitor and Mintel

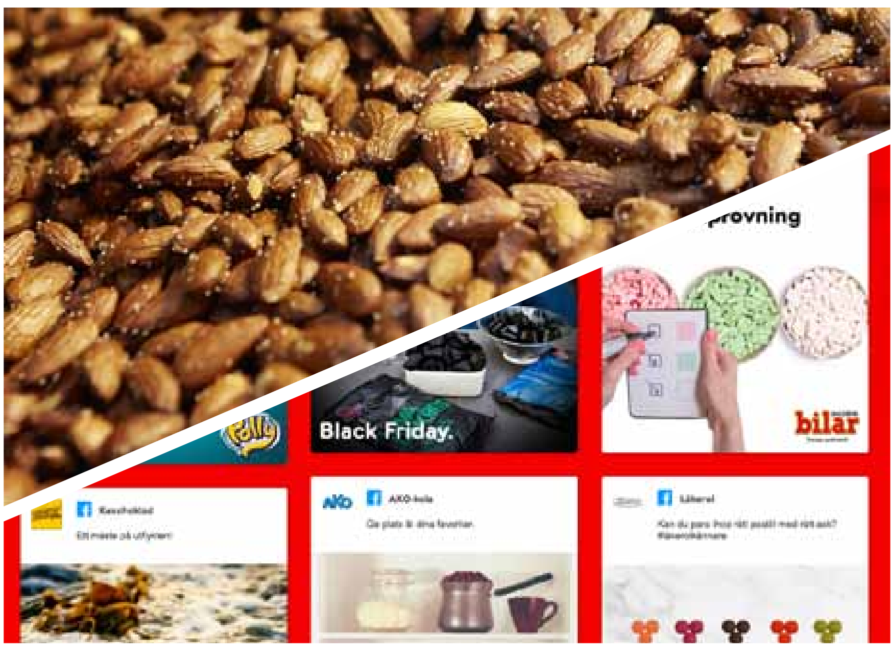
Market size by region, Cloetta's main markets, 2014

SEK billion



Source: Datamonitor and Mintel

6 distinct consumer trends



Genuine raw materials

There is a continued interest in natural and genuine raw materials. Additives of various types and artificially 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 or stevia are 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

More and more often, we are eating outside the home on our way to and from different activities. Greater availability and different 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 demand for information, above all about the raw materials' origins, quality and cultivation methods by introducing different types of labeling and certification.

Health and functional confectionery/snacks

People are increasingly seeking raw materials with positive health effects. Nuts and xylitol are examples of this in Cloetta's product range.

Social media and e-commerce gaining importance

Direct communication with consumers via the social media is increasingly important for further developing the brands' personalities and capturing trends. Many companies are also building up e-commerce capacity to sell their products online, either directly to consumers or in collaboration with partners.

Market strategies for growth

Brand development
Cloetta's wide brand portfolio is the Group's most valuable asset. Nurturing and developing these brands is therefore in constant focus for both the sales force and the marketing departments.

Read more on pages 14–16

Strategic product development
Through various strategic initiatives based on the Group's existing brands and production structure, Cloetta can drive organic growth.

Read more on pages 17–19

New markets and segments
When good opportunities arise, Cloetta will widen its territory through acquisition of new brands, expansion into new geographical markets or new initiatives/business concepts.

Read more on page 20

Brand development

Confectionery is the most impulse-driven category in the retail trade, which means that good availability and visibility in stores, alongside strong brands with high recognition and loyalty, are critical drivers for confectionery sales. Cloetta's continuous brand development and strong sales force are therefore of vital importance.

Planned brand management

Cloetta's ten largest brands account for around 60 per cent of the Group's sales. Read more about the leading brands on pages 21–24.

For each brand there is an individual development plan to continuously contemporize and develop the brand. The primary tools are line extension, package development, sales development and effective marketing.

New flavours

The regular launch of new and attractive product variants or flavours, in segments where there is consumer demand, strengthens Cloetta's offering to both customers and consumers.

An exciting product innovation or seasonal product is mainly aimed at reminding consumers of the brand. Since successful innovations inspire trials of both the new product and often also the original product, good seasonal products and innovations normally generate incremental sales.

Package development

An important part of brand management consists of package development. The packaging material 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.

Package development also includes retail packaging for the various sales channels.

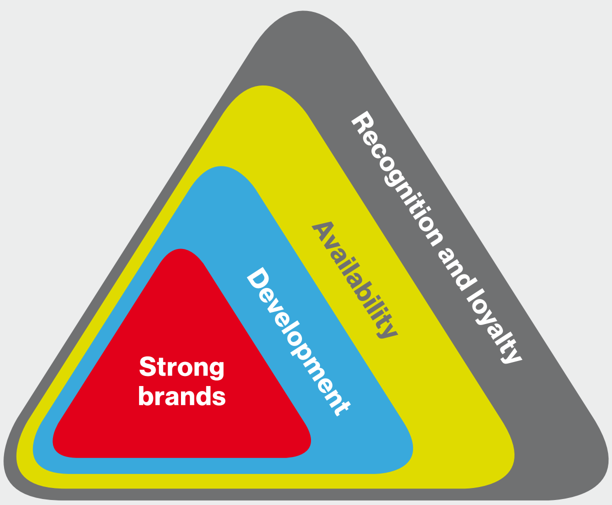
Visibility in stores

One decisive success factor for consumer sales is good exposure in the store, which means that it is crucial how new products and innovations are received by the retail trade. The customers must see the products as being needed, easy to handle and profitable for the trade.

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.

The most important part of the sales force's day-to-day work consists of helping the individual retailers display Cloetta's products to achieve higher turnover rates and margins in the store. Through the sales organization's category knowledge and strong in-store presence, Cloetta can reach out with campaigns, monitor local compliance with centrally negotiated listing and distribution agreements and ensure good visibility on the store shelves, in the checkout lines and in other places, read more on page 16.

Cloetta further develops its brands



Development

Tools to strengthen

- New flavours and seasonal products.
- Package development.

Challenges

- Coordination of development between markets and brands.

Availability

Tools to strengthen

- Large and competent sales force.
- Complete product range in stores.

Challenges

- New channels to reach consumers.
- New sales solutions adapted to different customer categories.

Recognition and loyalty

Tools to strengthen

- Increase consumer awareness through advertising, PR and sponsorship.

Challenges

- Continue to improve use of social media.
- Be visible where consumers are found through planned effective marketing and in-store sales campaigns.

Marketing

Effective and well planned marketing, from traditional tools such as outdoor marketing and advertisements to 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. Cloetta's marketing is characterized by image-creating brand advertisements in the mass media, sponsorship and events directed to selected target groups.

Sales-promotional activities

Cloetta typically combines marketing activities with in-store campaigns. New products are normally given effective sales support through campaigns, events, in-store activities and advertisements to reach consumers as quickly as possible.

E-commerce

In 2015 Cloetta launched its first mobile-adapted webshop for The Jelly Bean Factory brand. At www.jellybeanfactory.com, consumers can buy a personalized gift for themselves or a friend with different messages such as "Happy Birthday" or "Thank You" packaged together with delicious gourmet jelly beans. In 2015 the webshop was launched in Ireland and the UK and in 2016 a rollout is planned in other important Cloetta markets.

With its new webshop, Cloetta is a forerunner in the industry. The webshop has been built on a scalable platform, which means that it can be used for additional markets or brands. For example, www.cloettashop.se was launched on the platform at the end of 2015.

Social media

Cloetta's goal is to increasingly communicate in the social media as a means for developing consumer loyalty to the brands, but also to facilitate interaction with consumers and gather valuable feedback. Through the social media Cloetta can:

- Gather knowledge on consumer thoughts and ideas about different products through so-called Candy Portals, i.e. online consumer panels.
- Answer the questions that come in online via various media and pass on these viewpoints in the organization.
- Cooperate with consumers, among other things by asking direct questions.

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

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.

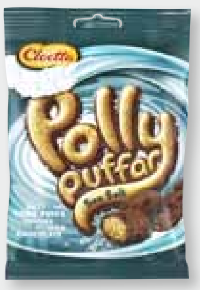
Marketing activities online and in the social media are targeted and followed up via two tools: DSI (Digital Sentiment Index) is a metric that summarizes the brands' online presence and NPS (Net Promotor Score) continuously measures different aspects of the customer and consumer experience linked to 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 protected for many years and the name Kexchoklad has been trademarked since 2004.

Examples of new flavours during the year



Polly Puffar Sea Salt

Polly Easter limited edition

Galatine Strawberry

Jenkki – Strawberry Blueberry

Sperlari Orange/Blueberry

Malaco – Kick Raspberry

KING – Peppermint Orange

Powerbreak 3

Success factors for the sales organization

Sell the right products to the right customer

Selling the right products to the right customer generates 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 points.

Create good relations with customers at the central and local levels

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

Ensure good visibility for Cloetta's products

High visibility in stores, and particularly at the checkout stands, is vital for growth in sales. In order to maximize 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 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 organization 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 existing stores.

Strategic product development

Through strategic product development, Cloetta utilizes its strong brands and its flexible production organization to drive and maximize organic 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.

Innovation and trends

Product development is a key driver behind Cloetta's brands and enables differentiation in the market. Cloetta's innovation work and optimization 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 about trends in the market and consumer behaviour is necessary for the development of successful product innovations.

Market analysis, trend monitoring and interaction with consumers in the social media provide the marketing department with valuable data for analysis of changes in consumption patterns.

Natural ingredients and consideration to environmental aspects are factors that are affecting the confectionery market to a growing extent. Cloetta continuously reviews all products and questions their ingredients. For example, sweeteners and fruit flavourings have been replaced with stevia and fruit juice in Dietorelle. Stevia is also used in sugar-free Läkerol. The acquisition of the Goody Good Stuff brand in 2013 contributed to greater knowledge about natural ingredients.

Product development process

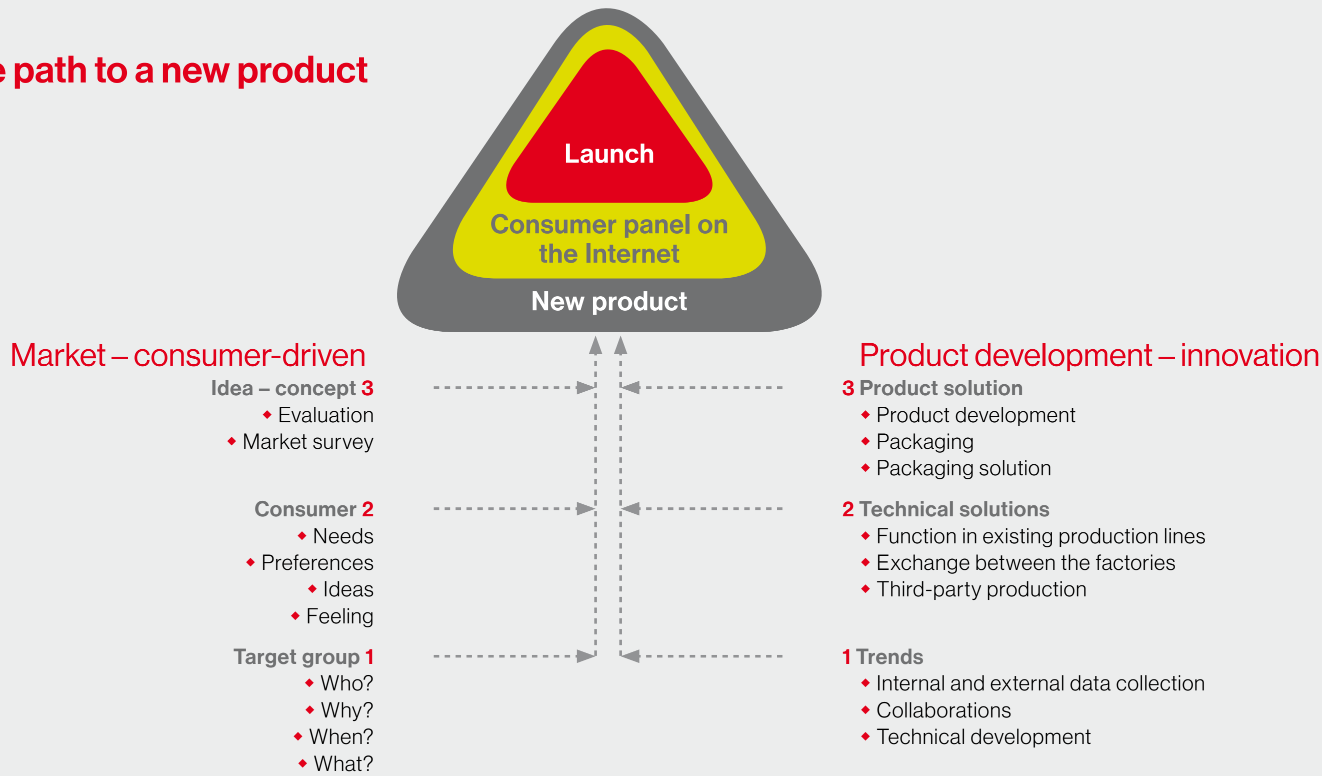
An effective product development process is decisive for profitable growth. Product development is steered by the way in which market trends and consumer behaviour can be optimally combined with existing brands.

The biggest costs in product development arise in the product launch phase and are primarily associated with marketing activities, but also with ensuring efficient production.

Cloetta drives category projects in sugar confectionery, chocolate, pastilles, chewing gum and nuts. Within this framework, Cloetta has developed 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, see below.

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

The path to a new product



A focus on taste

Packages and marketing can tempt consumers to try a new product, but if the taste doesn't measure up there is rarely a second purchase. It is therefore critical that the new products launched by Cloetta meet consumer requirements and expectations. The focus is on taste 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 that have come up 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 utilized effectively by matching brands.

A few examples are:

- Liquorice products from Venco in the Netherlands are sold under the Sperlari Liquorice brand in Italy.
- Läkerol Dents in Finland have become Läkerol DentaFresh in Sweden and Norway and King chewmints in the Netherlands.
- Sportlife Mints from the Netherlands are sold as Mynthon ZipMint in Finland and under the Saila brand in Italy.
- Läkerol pastilles from Sweden and Norway are sold as Venco drops in the Netherlands.
- Polly from Sweden has been sold for many years as Pops in Norway, and Norwegian Pops Puffar are sold as Polly Puffar in Sweden.
- Dietorelle from Italy is sold as Red Band Sweet'n Pure in the Netherlands.

In recent years the British brand Chewits has been launched in several markets that are new for the brand.

Package size

Aside from tasting good and being reasonably priced for the consumer, a new product has to be commercially attractive to the retail trade. Its weight, package and distribution are adapted for their respective sales channels and markets. With the right packaging, many of the products that are strong in one market can also secure a good position in new markets.

Package sizes are often associated with price strategies for different customer categories and market. 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.

Travel Retail

For many years Cloetta has had substantial sales to ferry lines, charter tour operators and airports, 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.

Strategic product development during the year

Tupla+Protein
Tupla+Energy

Läkerol DentaFresh

Sportlife in jars

Cloetta Crispy Bite

Cloetta Sprinkle Latte Crunchiatto

Malaco TV-mix mini-bags

KING chewmints

Attention-getting campaigns

Läkerol DentaFresh

Pastilles with dental health benefits have often been sold as the breath mints or refreshers. With Läkerol DentaFresh, Cloetta has developed a new dental care category with the message of strengthening the teeth. Läkerol DentaFresh was launched in Sweden and Norway in 2015. In Finland the brand has been available for several years under the name Läkerol Dents.

The launch has focused on creating visibility and spreading the message about how good the product is. Läkerol DentaFresh has had excellent results in consumer tests and taste samples have been an important part of the launch. The product has been distributed in cities, stores and pharmacies, through grocery delivery services and at various events. Taste samples have been sent to dentists and were handed out at the annual congress of the Swedish Dental Association. Cloetta also had a stand at the Swedish Pharmacy Expo.

Läkerol DentaFresh has taken a decisive market share position among pastilles.

Tupla

In 2015 Cloetta Finland gave five young YouTubers the chance to make YouTube videos of their dreams that in some way contained Tupla, and then market the videos through their own social media. During the campaign period (March-May 2015), the videos were viewed over 2 million times and the social media was filled with reactions. Tupla YouTube was also shown by several international news channels. The market share increased and the campaign won a Bronze Effie Award in 2015.

Läkerol in Finland

In Finland, new Läkerol candy pastilles were launched with the message that the delicious, sugar-free pastilles can be eaten every day.

The design of Läkerol pastilles visualizes the idea of feeding your craving for sweets through a carnivorous plant with its own cool and zany design. Instead of talking negatively about sugar, the campaign turns it into something fun.

The launch campaign was exclusively digital and consisted of short films. The products have sold well and had a positive impact on the Läkerol brand in general.

Sportlife

For more than 25 years Sportlife has been one of the leading brands in the Dutch chewing gum market. Sportlife is sold under the brand slogan Unexpected Freshness.

To drive sales growth, brand awareness and activities surrounding the brand, a campaign was carried out during the autumn. On the inside of every package a number of kilometres was written, between 50,000 and 100,000. By collecting as many kilometres as possible, the consumers had the chance to win an adventure trip such as heliskiing in Italy or freeskiing in Japan.

The campaign resulted in higher sales and increased awareness.

New markets and segments

In 2015 Cloetta acquired Locawo B.V. (Lonka) – a Dutch company that produces and sells fudge, nougat and chocolate. The acquisition has strengthened Cloetta's position in the Netherlands. Further development of the pick-and-mix concept "Godisfavoriter" (candy favourites) has reinforced Cloetta's position in Sweden.

Lonka – a significant acquisition

Lonka produces and sells fudge, nougat and chocolate products. Around 50 per cent of sales are branded and 50 per cent consist of pick-and-mix sales and contract manufacturing.

The products are manufactured in two factories in the Netherlands – one in Roosendaal and one in Dieren. In December, a decision was made to close the factory in Dieren and transfer its production to Levice, Slovakia. Lonka has 130 employees and reported net sales of around SEK 300m in 2014, of which the Netherlands account for around half. The Nordic countries and the UK are other important markets, especially for pick-and-mix.

Lonka is a well known brand that will significantly strengthen Cloetta's position in the Dutch market. The acquisition will also expand Cloetta's product offering into new technologies and categories, including the Dutch chocolate market.

Development of the pick-and-mix concept

In the autumn of 2014 Cloetta signed an agreement with Coop Sweden to provide them with a whole new pick-and-mix concept starting in 2015. This means that Cloetta is responsible for the product range, racks, merchandising, etc., in Coop's 700 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 volume in the Swedish confectionery market.

At the end of 2014 Cloetta developed the product range for the new pick-and-mix concept at Coop, which included around 150 articles, and at the beginning of 2015 it was rolled out in all stores. Cloetta has also launched a pick-and-mix concept for natural snacks at Coop.

In 2016 Cloetta will also provide Bergendahls and ÖoB with pick-and-mix concepts.

Cloetta's recent acqusitions

2013

Goody Good Stuff
Annual sales at acquisition
SEK 10m

Access to a new technology and brand in natural gummy candy.

2014

Nutisal
Annual sales at acquisition
SEK 200m

Access to a whole new category, nuts.

2014

The Jelly Bean Factory
Annual sales at acquisition
SEK 100m

Premium offering in sugar confectionery and stronger presence in the UK.

2015

Lonka
Annual sales at acquisition
SEK 300m

Strengthens Cloetta's position in the Netherlands and provides access to a new category.

Cloetta's leading brands

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

Ahlgrens bilar

is a fruit-flavoured foam that a large majority of the Swedes love and enjoy. The original 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 the shape of a car. Sweden's best tasting car was born! New car models have been launched since then, in flavours such as salty liquorice and sweet & sour.

Sold in: Sweden, Norway, Denmark, Finland, the USA, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia, Cyprus, 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, Denmark.

Center

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

Sold in: Sweden, Norway, Denmark, Finland, Cyprus, Poland.

Chewits

was launched in the UK in 1965 as a chewy 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, Denmark, Norway, Finland, Italy, the UAE, Saudi Arabia, Kuwait, Jordan, Iraq, the Baltics.

Cloetta chocolate

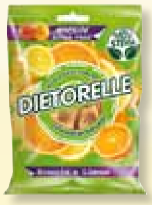
In 2014 a new chocolate concept was launched in Finland under the Cloetta brand. Cloetta offers inspiring chocolate experiences through exciting combinations of taste and texture, presented with a twinkle in the eye. The current portfolio consists of delicious filled chocolates and countlines and is targeted for the young and open-minded who cherish time together with friends and family.

Sold in: Finland.

Dietor

has been synonymous with sweeteners in the Italian market since 1975. Dietor guarantees its consumers the best solution for a sweet taste with less calories. Dietor is available as a powder, in liquid form, as tablets and as of 2012 also stevia-based products.

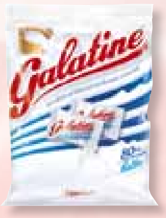
Sold in: Italy, Germany, the Czech Republic, Bulgaria, Greece.



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, Finland, Germany, Spain, Belgium, Brazil, Chile, Morocco, Panama, Portugal, the Czech Republic, France, Lebanon, Palestine, Israel, Malta, South Africa, Albania, Ukraine.



Galatine

is a hard pastille that consists of up to around 80 per cent milk and was launched in 1956. Galatine is today the single most sold candy and one of the most loved brands in Italy, with a high level of reassurance 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 bean with a unique taste.

Sold in: Italy, Germany, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia, Lebanon, Palestine, Israel, Spain, Australia, Denmark, Panama, France, Malta, Ukraine.

Goody Good Stuff

This tasty 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 makes the candy suitable for vegetarians. To make the range accessible to an even bigger user-group, the range is also free from artificial colours and flavours, gluten and lactose, and is Halal- and Kosher-certified.

Sold in: the Netherlands, the UK, Sweden, Denmark, Norway, Finland, Germany, Switzerland, Malta, Austria, the UEA, Saudi Arabia, Kuwait, Jordan, Lebanon, Palestine, Israel, Estonia, France

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 in 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: around 60 countries worldwide, mainly in the UK, USA, Canada, United Arab Emirates, Saudi Arabia, Germany, Netherlands, Austria, New Zealand, Australia, South Korea, Poland, Singapore, Kuwait.

Jenkki

is the market-leading chewing gum brand in Finland, where it was originally launched in 1951. Since 1975 the brand has been sweetened with the dental innovation xylitol, and has thus become a smart tooth-friendly habit for Finns: as a breath refresher or an enjoyable treat after each meal.

Sold in: Finland, Estonia, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia.

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. Each year a limited edition is released, this year with the taste of clementine. Although 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-coloured marshmallow Santa with a taste of strawberry.

Sold in: Sweden, Norway Denmark.

Kexchoklad

was launched as early as 1938 and is one of Cloetta's active Swedish classics. Sweden's best tasting between meal snack. Three layers of crispy, chocolate-covered filled wafers make Kexchoklad a snack for active people who need to quickly replenish their energy.

Sold in: Sweden, Denmark, Estonia, Latvia, Cyprus, Poland.

King

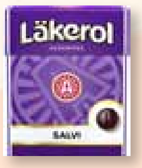
The De Vries family started producing peppermint in 1902. In 1922 they thought it would be successful to start using a brand name for their peppermint, and King was born. Over time, the brand has evolved from a simple throat lozenge into a modern breath freshener. Today, after more than 90 years, it still contains the same secret peppermint blend that makes King loved by many Dutch consumers. King chewmints were launched in 2015.

Sold in: the Netherlands, Canada, the USA, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia, Spain, the Baltics, Belgium, Suriname.

Lonka

At Lonka, it's all about soft and delicious sweets made with passion and high quality. Since the first Lonka factory opened in 1920 in the Netherlands, Lonka has been providing consumers with traditional favourites like caramel, fudge, soft nougat and chocolate.

Sold in: more than 40 countries, mainly Benelux, Sweden, Denmark, Norway, the UK, Spain, Germany, Israel, China, South Korea, Japan, the USA, Brazil and South Africa.



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 flavours and is effective when you want to soothe your throat, refresh your breath or just fancy something tasty. Läkerol makes people talk.

Sold in: Sweden, Norway, Denmark, Finland, Germany, Switzerland, the USA, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia, Lebanon, Palestine, Israel, Lithuania, Belgium, South Africa.

Läkerol Dents/Läkerol DentaFresh

is the world's first, in Finland market-leading and in Sweden and Norway new, xylitol pastille with 50 per cent xylitol, and is available in several flavours. Take two tablets after every meal to stop acid attack and strengthen your teeth. Läkerol Dents is the most delicious way to take care of your teeth. Läkerol DentaFresh – a smart habit for stronger teeth.

Sold in: Läkerol Dents in Finland. Läkerol DentaFresh in Sweden, Norway, Denmark.

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, Switzerland, Canada, the USA, Germany, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia, Lebanon, Palestine, Israel, the Baltics, Cyprus, the UK, Ireland, Poland.

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 chewy, hard and compressed pastilles in a variety of fresh flavours. In 2012, chewing gum was also launched under the brand.

Sold in: Finland, Norway, Lebanon, Palestine, Israel, the Baltics, 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 'dry roasting' method was developed for roasting without oil. Nutisal took this technology to Europe and created a range of dry roasted mixes that was launched in 2007. Because no oil is used in the process, the consumer can enjoy the genuine taste of nuts.

Sold in: Sweden, Denmark, Norway, Finland, the Netherlands, Italy, Switzerland, Germany, the Baltics, Greece.

Plopp

is the mini-bar for indulging yourself or someone close to your heart. Originally introduced in 1949, Plopp is personified by the little mini-bar that stands for nostalgia, fun and playfulness. Plopp consists of 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 Polly with a taste of Ahlgrens bilar.

Sold in: Sweden, Finland, Denmark, Poland.

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, Hong Kong, Singapore, China, Taiwan, South Korea, Thailand, Japan, the Philippines, Indonesia, the UAE, Saudi Arabia, Kuwait, Jordan, Lebanon, Palestine, Israel, Spain, the Baltics, Belgium, Denmark, Portugal, the Czech Republic, Malta, Suriname, Cyprus, Greece, Poland, Hungary.

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 liquorice products. Saila's slogan is uniquely essential refreshment.

Sold in: Italy, Germany, Switzerland, Canada, Spain, Egypt, France, Malta.

Sisu

is a liquorice pastille flavoured by a 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. With Sisu, you can do it. Sisu is available in several flavours packaged in boxes. Since 2013 Sisu chewing gum is also available.

Sold in: Finland.

Sperlari

in the form of traditional Italian nougat – il Torrone – was launched by Enea Sperlari back in 1836. The secret behind Spelari'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, Germany, Switzerland, Canada, the USA, Lebanon, Palestine, Israel, Belgium, Australia, Colombia, Denmark, Nicaragua, Panama, Croatia, France, Malta, the UK, Ireland, Albania, Slovenia, Ukraine.

Sportlife

was launched in the Netherlands in 1981 as the first chewing gum in "blister" packaging. Since the start, Sportlife has been a leader in the Dutch market and also has a strong position in Belgium. Sportlife is based on the brand essence of unexpected freshness with an international brand profile. Since 2013 Sportlife is also available as mint pastilles and in 2015 the chewing gum was launched in new "can" packages.

Sold in: the Netherlands,Suriname, Estonia, Belgium.

Sportlunch

is a crispy wafer generously coated with pure milk chocolate in easy-to-break pieces. Sportlunch was launched in Sweden in 1937, under the name "Mellanmål" and changed name to Sportlunch in 1996.

Sold in: Sweden, Norway.

Tupla

was launched in 1960 and is the number one chocolate countline in Finland. Tupla means 'double' in Finnish and Tupla original countline always contains two pieces that are filled with energy and easy to share. The original Tupla countline has a cocoa nougat filling covered with milk chocolate, with a twist of saltiness and roasted almond crush. The taste and texture of Tupla is fuel for the body and attitude. Tupla is available in different flavours and sizes, and since 2015 also as a sport bar.

Sold in: Finland, the Baltics.

Venco

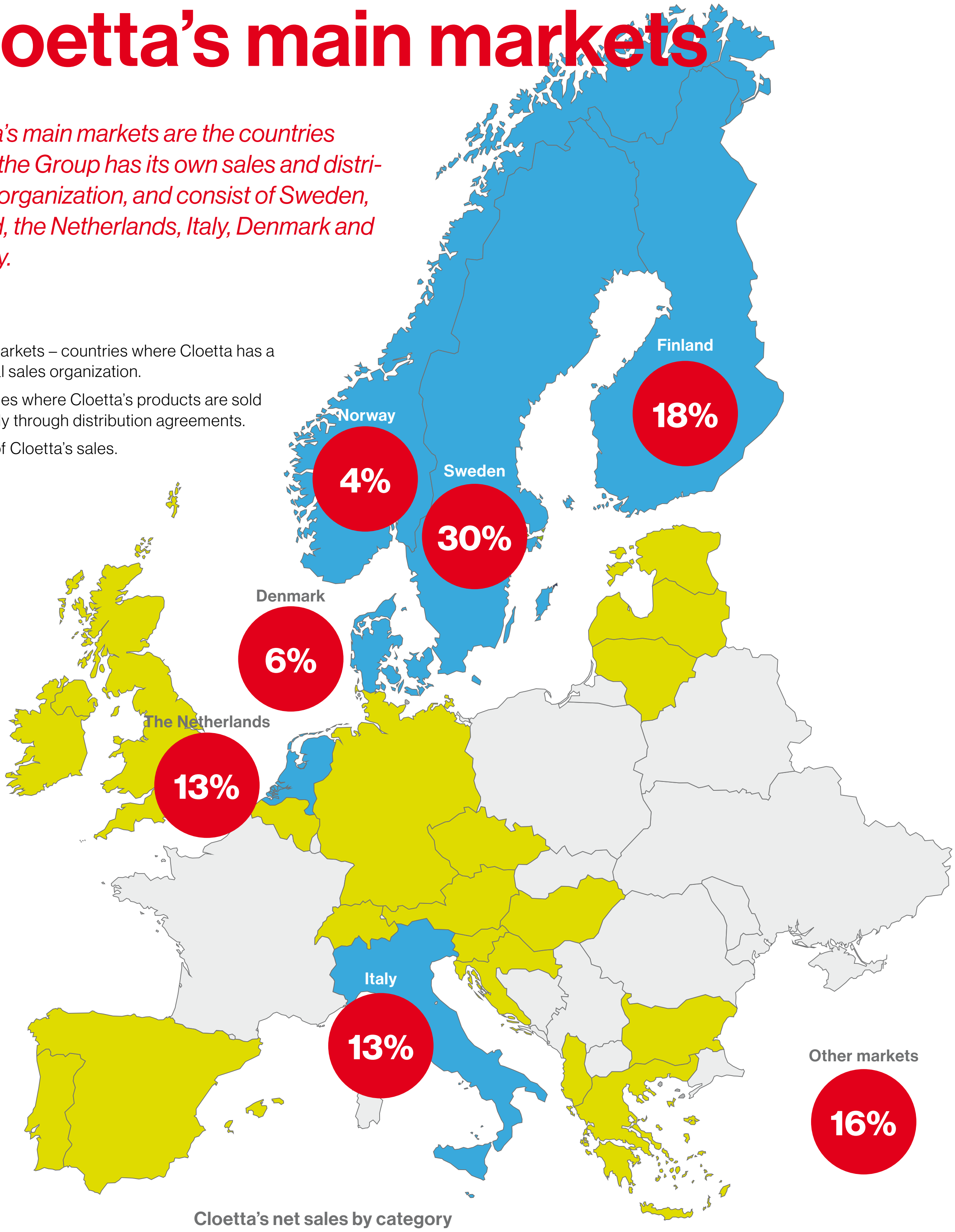
Venco was launched as early as 1878 and is the leading liquorice brand in the Netherlands. Venco has 'a passion for liquorice', which is delivered in a wide range of unique, iconic and top-selling items like chalk and honey liquorice. When the Dutch think of liquorice, they think of Venco.

Sold in: the Netherlands, Italy, Canada, Lebanon, Palestine, Israel, Belgium, Suriname, South Africa.

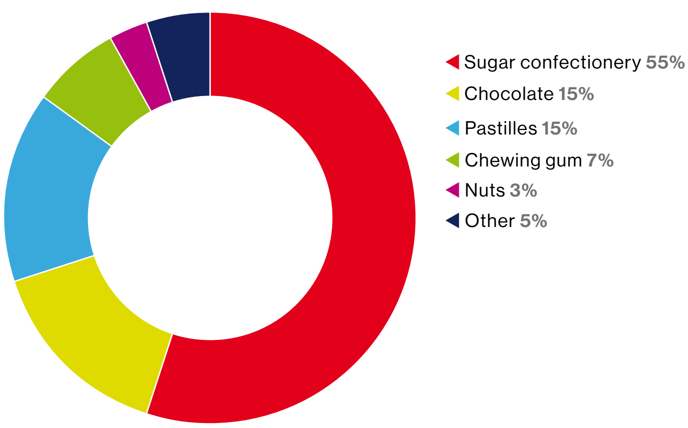
Cloetta's main markets

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

- Main markets – countries where Cloetta has a national sales organization.
- Countries where Cloetta's products are sold primarily through distribution agreements.
- Share of Cloetta's sales.



Cloetta's net sales by category



Sweden

Share of Cloetta's sales.

30%

Population: 9.8 million

Market size: Consumer sales of approx. 13.7 billion

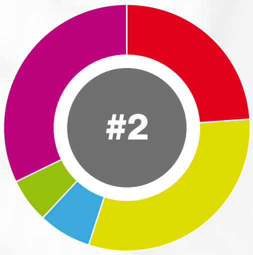
Largest customers: Axfood, Coop, ICA and Privab

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

Source: Datamonitor and Mintel

Largest players, Sweden

Confectionery market



Source: Nielsen

Sweden is the largest single market in the Nordic region, with around one third of the region's total confectionery consumption. In 2015 the total market showed positive development.

In terms of value, sugar confectionery accounts for around 22 per cent, chocolate confectionery for around 58 per cent, pastilles for around 8 per cent and chewing gum for around 12 per cent. Pick-and-mix is an important part of the total market and accounts for 30 per cent.

Cloetta's sales and competitors

Sweden is Cloetta's largest market and accounted for 30 per cent (29) of Cloetta's total sales in 2015. In Sweden Cloetta is the market leader in sugar confectionery and pastilles, Mondelez (including the Marabou brand) in chocolate and Wrigleys in chewing gum. Overall, Cloetta is the second largest player in the Swedish market, with a share of around 24 per cent (23) of the confectionery market. Mondelez has approximately 31 per cent (29) of the market. The retail chains' private labels have a share of around 5 per cent (5) 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 the trade with support in implementing campaigns and launches. The service trade is a vital sales channel for Cloetta. In recent years, alternative sales channels like building supply stores, movie theatres, arenas, etc., have become increasingly important.

Sales organization

There are a total of around 200 employees in the sales organization and at the Scandinavian head office in Malmö.

Pick-and-mix

In 2015 Cloetta launched its own pick-and-mix concept in the Coop grocery chain under the name Godisfavoriter (Candy favourites). Cloetta has previously only been a supplier to various pick-and-mix resellers. Through the contract with Coop and new contracts with retailers like Bergendahls and ÖoB during 2016, Cloetta has moved up as the market-leader in pick-and-mix.

Nutisal

Since 2014 Cloetta also sells dry roasted nuts under the Nutisal brand. Nutisal is the market leader in the service trade and currently commands 12 per cent (11) of the Swedish nut market.

Denmark

Share of Cloetta's sales.

6%

Population: 5.6 million

Market size: Consumer sales of approx. SEK 9.4 billion

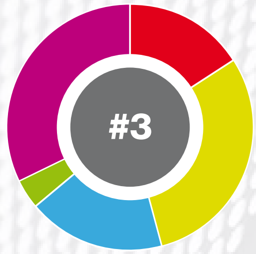
Largest customers: Coop, Dansk Supermarked and Dagrofa

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

Source: Datamonitor and Mintel

Largest players, Denmark

Sugar confectionery and pastilles market



Source: Nielsen

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 2015.

Cloetta's sales and competitors

Cloetta's sales in Denmark accounted for 6 per cent (5) of Group's total sales in 2015.

Cloetta is the third largest player in the Danish market for sugar confectionery and pastilles, with a market share of around 16 per cent (15). The market leaders are Haribo with around 30 per cent (29) and Toms with approximately 18 per cent (17). The retail chains' private labels have a market share of around 4 per cent (4) and 1 per cent (1), respectively, of the Danish pastilles and sugar confectionery markets.

Sales channels

The grocery trade in Denmark is moving towards greater centralization, but with a combination of centrally-driven chains and a more decentralized 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 racks.

Sales organization

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

Finland

Share of Cloetta's sales.

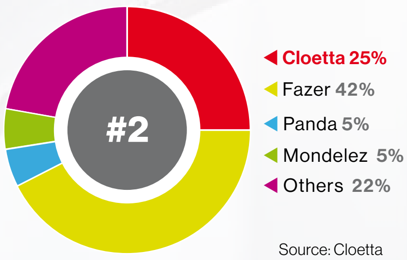
18%

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 and Mintel

Largest players, Finland

Confectionery market



Source: Cloetta

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 largely unchanged in 2015.

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 2015. Cloetta is the second largest player in the Finnish market, with a share of around 25 per cent (25) of packaged confectionery. The market leader is Fazer, with approximately 42 per cent (42) of the confectionery market. The retail chains' private labels have a share of around 7 per cent (7) of confectionery sales in the Finnish market. Cloetta is the undisputed market leader in pick-and-mix.

Sales channels

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

In November 2015 the second largest grocery chain, Kesko, announced its intention to acquire the largest chain, Suomen Lähikauppa. Following a probable approval by the competition authorities, Kesko will have around 40 per cent of the retail market, with a strong second position overall and a clearly market-leading position in grocery stores.

Sales organization

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

Norway

Share of Cloetta's sales.

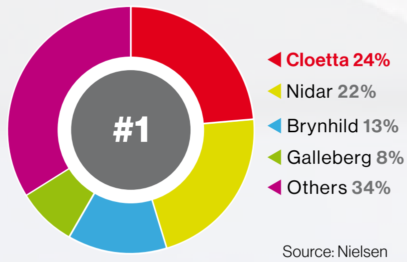
4%

Population: 5.1 million
Market size: Consumer sales of approx. SEK 7.0 billion
Largest customers: Coop, ICA, NorgesGruppen and Rema
Top-selling brands: Malaco, Läkerol, Pops and Ahlgrens bilar

Source: Datamonitor and Mintel

Largest players, Norway

Sugar confectionery and pastilles market



Source: Nielsen

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 2015.

Cloetta's sales and competitors

Cloetta's sales in Norway accounted for 4 per cent (5) of the Group's total sales in 2015.

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 24 per cent (25). Nidar (owned by Orkla) has around 22 per cent (20) and Brynild has around 13 per cent (13) of the Norwegian sugar confectionery and pastilles market. The retail chains' private labels have a share of around 3 per cent (4) of confectionery sales in the Norwegian market.

Sales channels

The Norwegian grocery retail market is consolidated, with three dominant chains. In 2015 ICA left the Norwegian market by selling its operations to Coop, which has further consolidated the market.

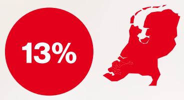
In Norway the market is driven by product innovations to twice the extent in Sweden and Denmark. Norwegians want to try new products, which means that product innovation and re-launches are crucial for achieving better commercial positions.

Sales organization

In Norway Cloetta has around 40 employees at the office in Høvik west of Oslo and in the sales organization.

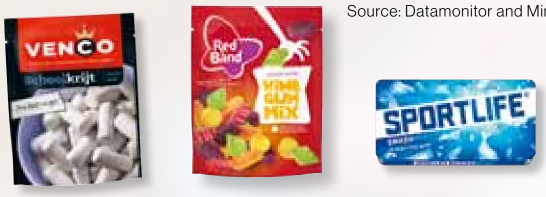
The Netherlands

Share of Cloetta's sales.



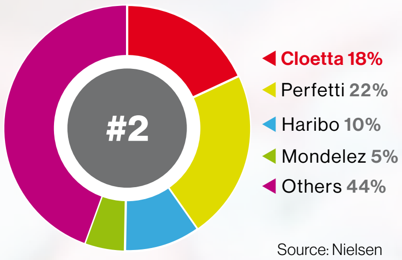
Population: 16.9 million
Market size: Consumer sales of approx. SEK 14.0 billion
Largest customers: Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam
Top-selling brands: Sportlife, XyliFresh, King, Lonka, Red Band and Venco

Source: Datamonitor and Mintel



Largest players, the Netherlands

Sugar confectionery including pastilles and chewing gum



Source: Nielsen

The Netherlands is the sixth largest market in Western Europe, with just over 4 per cent of the region's confectionery consumption. In 2015 the Dutch market for pastilles and chewing gum decreased for the second consecutive year while the market for sugar confectionery was on the same level as in the previous year.

Cloetta's sales and competitors

Cloetta's sales in the Netherlands accounted for 13 per cent (12) of the Group's total sales in 2015. Cloetta is the second largest player in the Dutch sugar confectionery market, with a share of 18 per cent (18). The market leader is Perfetti with around 22 per cent (22).

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

Sales channels

The grocery retail trade is concentrated around a few major players. With primarily centralized purchasing, it is possible to achieve wide and rapid distribution of the new products that are launched. The hard-discount retail chains with a high proportion of private labels have increased their market shares during the year. Cloetta is not represented in the hard-discount segment.

Sales organization

Cloetta has around 55 employees at the office in Oosterhout and in the sales organization.

Acquisition of Lonka

In July 2015 Cloetta acquired the Dutch company Lonka, which has significantly strengthened Cloetta's position in the Dutch market. In 2015 Lonka was integrated into Cloetta Netherlands and a joint sales and marketing organization was created.

Italy

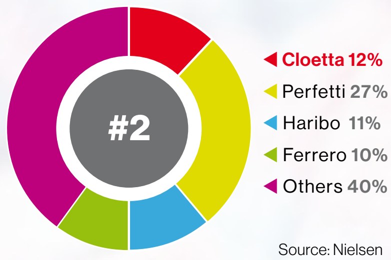
Share of Cloetta's sales.

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, Dietor, Saila, Dietorelle and Galatine

Source: Datamonitor and Mintel

Largest players, Italy

Sugar confectionery and pastilles market



Source: Nielsen

Italy is the fourth largest market in Western Europe, with close to one tenth of the region's total confectionery consumption. In 2015 the Italian confectionery market declined somewhat.

Cloetta's sales and competitors

Cloetta's sales in Italy accounted for 13 per cent (14) of Cloetta's total sales.

Cloetta is the second largest player in the Italian market for sugar confectionery and pastilles, with a share of around 12 per cent (13). The foremost competitors are Perfetti, Haribo and Ferrero. Perfetti has a market share of around 27 per cent (26), Haribo 11 per cent (10) and Ferrero 10 per cent (9).

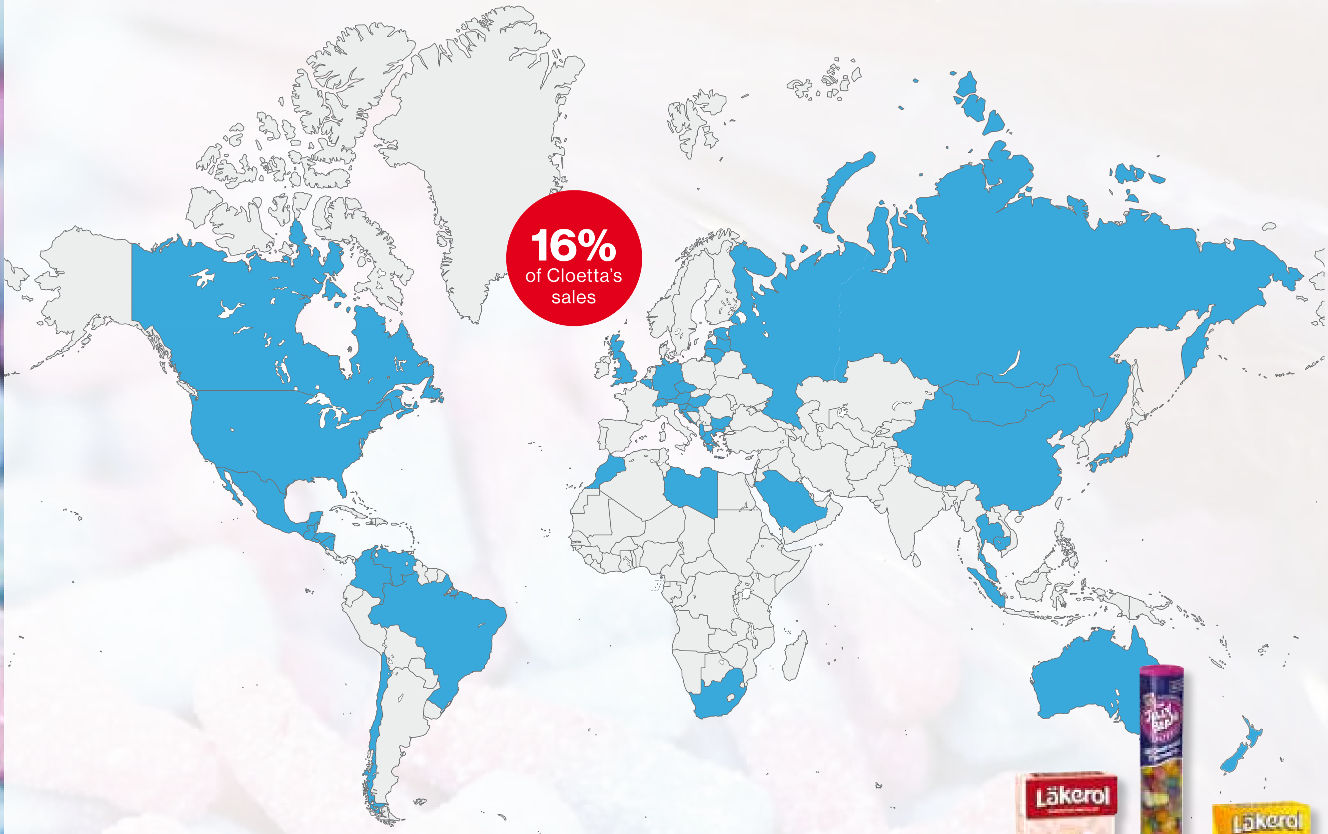
The retail chains' private labels have a market share amounted to around 10 per cent (10) of sugar confectionery sales in the Italian market.

Sales channels

In Italy, the grocery retail trade is more fragmented than in the Nordic and Dutch markets. 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 organization

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



Other markets

All in all, other markets accounted for 16 per cent (17) of Cloetta's total sales in 2015, 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 organization.

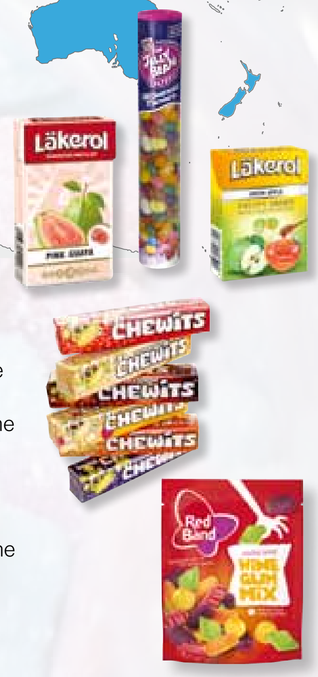
External distributors

In certain countries, such as Germany, the UK, the Baltics and Singapore, Cloetta has a small organization and its own staff, but handles sales and distribution through external distributors.

Other key markets where Cloetta has no sales and distribution organization 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.



Supply chain

At year-end Cloetta had 13 factories in Sweden, Italy, the Netherlands, Belgium, Slovakia and Ireland. All in all, Cloetta produced nearly 120 thousand tonnes of confectionery in 2015.

Cloetta's supply chain is responsible for production, purchasing, planning, logistics, quality, technology and safety. During the year, the top priorities have been to implement and drive the Lean 2020 programme in order to increase efficiencies, and to integrate the two new factories (in Roosendaal and Dieren) that came with the acquisition of Lonka.

Production rationalizations and transfers

Between 2012 and 2014 Cloetta implemented a factory restructuring programme in which three factories were closed and production was insourced from third-party suppliers. 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, a physical relocation of machinery is often required. In total, the restructuring programme meant that 40 per cent of the total volume in the Group was transferred in one way or another. During 2015 further transfers between the factories were carried out in order to optimize the utilization of our factory network.

In December 2015 the closure of the factory in Dieren, the Netherlands, was announced. The closure is part of the synergies programme related to the acquisition of Lonka. The intention is to close the factory at the end of 2016 and transfer production to the factory in Levice, Slovakia. The factory in Levice will be expanded as part of the transfer. The transfer will also make it possible to insource additional production to the factory in Levice.

Occupational safety

Employee safety is fundamental and is the top priority in every production facility. Continuous risk assessments and increased reporting of near misses 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 minimizes 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 2015 the number of days between accidents increased further from 23 in 2014 to 26 in 2015 (occupational accidents with >1 day of sickness absence). Read more under "Safety – the foundation for operational excellence" on page 51.

Changes in the production structure 2012–2015

2012

Closure of three factories: Alingsås, Sweden in 2012, Aura, Finland in 2012 and Gävle, Sweden in 2013. Transfer of production from these factories primarily to Levice, Slovakia, and Ljungsbro, Sweden.

Acquisition of four factories: Nutisal, Helsingborg, Sweden in 2014, The Jelly Bean Factory, Dublin, Ireland in 2014, Lonka, Roosendaal and Dieren, the Netherlands in 2015.

Insourcing of chewing gum to Sneek, the Netherlands, and Tupla to Ljungsbro, Sweden.

2015

Existing factory   Closed factory   New factory through acquisition

* The factory in Dieren will be closed during 2016

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.

The production strategy has been shaped in to a long term vision – "Lean 2020".

This vision is based on benchmarking against world class production with the aim of achieving operational excellence. 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 2015 Cloetta continued its journey and developed roadmaps for the different targets, and moved from building capabilities to using them in order to meet the company's targets. The first results were visible in 2015 in the areas of inventory and waste reduction.

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 standardized processes to maximize 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 causes 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 learning-driven and empowering organization and utilize reflections and follow-up to optimize 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

Increase reliability and flexibility

- Learn to improve and eliminate the root causes of problems
- Faster and more flexible changeovers
- Better understanding and maintenance of machinery
- Reduce waste

Improve the flow

- Achieve base stability (continued improvement in machine efficiency and output)
- Value stream mapping: reduce bottlenecks
- Provide operators with on-going training and give them greater responsibility
- Shorter lead times and increased frequency

Deliver according to demand (pull)

- Achieve balanced delivery
- Reduce dependency on external parties through training and support of operators so that they do things right the first time to a greater extent
- Be a world class producer

2020

Goals

- Improve resource-efficiency per line
- Reduce waste
- Improve energy-efficiency
- Lower inventory levels
- Balance between direct and indirect costs

Management systems

Cloetta has a central management system to ensure standardized 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 systematized meeting structure for monitoring of results against targets, to detect both positive and negative deviations. Goals and results are visualized 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 46–47.

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.

All of Cloetta's factories are certified according to the BRC Global Standard for Food Safety. BRC is a standard for assurance of product safety and quality, and is one of the cornerstones of Cloetta's quality management.

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 analyze 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 minimize 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 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 optimize 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 ethical, 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.

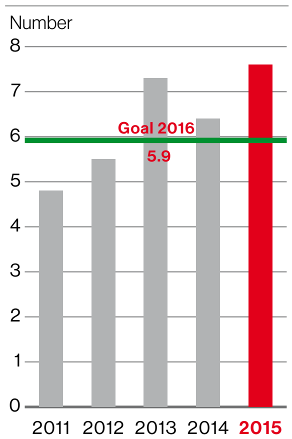
Cloetta's range includes products that are produced by other manufacturers. External production is outsourced only to manufacturers following approval by Cloetta, according to the same high quality standards that apply to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

Consumer and customer feedback

Each market has a Consumer Service unit that receives, investigates and responds to product complaints. 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 complaint to systematically find the root causes of any defects and thereby eliminate them.

Consumer complaints,
feedback per million sold consumer units



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.).

Success factors for production

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.

Employee safety

A safe working environment is a fundamental right for each employee. Being and feeling safe on the job are essential in order to develop and perform well in the workplace.

Flexibility

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

High and consistent quality

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

Delivery reliability

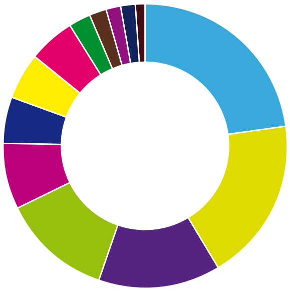
Good production planning is decisive for effective production and low warehousing costs, but also for delivery reliability to the customers.

Cost-efficiency

Cloetta's sales are based on large volumes. Cost-efficiency is necessary in order to stay competitive.

Factories

Production by factory in 2015, tonnes



- Levice, Slovakia, 27,500 tonnes
- Ljungsbro, Sweden, 22,300 tonnes
- Roosendaal,[1] the Netherlands, 16,500 tonnes
- Turnhout, Belgium, 14,900 tonnes
- Roosendaal,[2] the Netherlands, 9,200 tonnes*
- Cremona, Italy, 6,400 tonnes
- Sneek, the Netherlands, 6,200 tonnes
- Gordona, Italy, 6,200 tonnes
- Dieren, the Netherlands, 3,000 tonnes*
- Dublin, Ireland, 2,400 tonnes
- San Pietro in Casale, Italy, 2,100 tonnes
- Helsingborg, Sweden, 2,000 tonnes
- Silvi Marina, Italy, 1,100 tonnes

1) Spoorstraat 2) Borchwerf
* The factories were included in the acquisition of Lonka in July 2015. The figures refer to the full year.

Overview of factories

Levice, Slovakia

Production volume in 2015:	27,500 tonnes
Number of plant employees:	Approx. 690
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
Certifications:	BRC Global Standard for Food Safety

Ljungsbro, Sweden

Production volume in 2015:	22,300 tonnes
Number of plant employees:	Approx. 305
Number of machine lines:	12 production lines with in-line packing, 3 separate packaging lines and 1 chocolate production center
Largest brands:	Kexchoklad, Ahlgrens bilar, Center, Polly, Plopp, Sportlunch, Juleskum, Tupla
Manufacturing methods:	Chocolate moulding, starch moulding, coating, wafer production
Certifications:	BRC Global Standard for Food Safety, ISO 14000

Roosendaal (Spoorstraat), the Netherlands

Production volume in 2015:	16,500 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 2015:	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, ISO14001

Roosendaal (Borchwerf), the Netherlands

Production volume in 2015:	9,200 tonnes (acquired in July 2015, the figure refers to the full year)
Number of plant employees:	Approx. 90
Number of machine lines:	7 production lines, 14 packaging lines
Largest brands:	Lonka
Manufacturing methods:	Toffee, Fudge and Soft Nougat manufacturing
Certifications:	BRC IFS GMP+ Global Food Standard for Food Safety

Cremona, Italy

Production volume in 2015:	6,400 tonnes
Number of plant employees:	Approx. 110
Number of machine lines:	8 production lines, 23 packaging lines
Largest brands:	Sperlari, Galatine, Zanzibar, Dietorelle, Extra Starka, Läkerol
Manufacturing methods:	Hard boiled candy, compressed milk candies and nougat
Certifications:	BRC Global Standard for Food Safety, ISO 14001 and OHSAS 18001

Sneek, the Netherlands

Production volume in 2015:	6,200 tonnes
Number of plant employees:	Approx. 95
Number of machine lines:	5 production lines, 13 packaging lines
Largest brands:	Sportlife, XyliFresh, King, Jenkki
Manufacturing methods:	Chewing gum, coating, hard boiled candy and lozenges
Certifications:	BRC Global Standard for Food Safety and ISO 14001

Gordona, Italy

Production volume in 2015:	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 14001 and OHSAS 18001

Dieren, the Netherlands

Production volume in 2015:	3,000 tonnes (acquired in July 2015, the figure refers to the full year)
Number of plant employees:	Approx. 35
Number of machine lines:	1 production line, 4 packaging lines
Largest brands:	Donkers, Lonka
Manufacturing methods:	Gelatine moulding & chocolate covering
Certifications:	BRC Global Standard for Food Safety

Dublin, Ireland

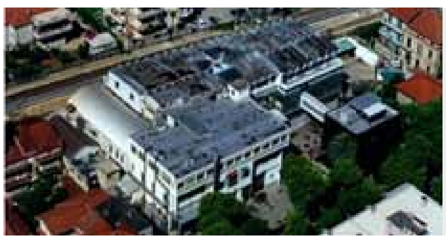
Production volume in 2015:	2,400 tonnes
Number of plant employees:	Approx. 70
Number of machine lines:	1 production line, 10 packaging lines
Largest brands:	The Jelly Bean Factory
Manufacturing methods:	Starch moulding and coating
Certifications:	BRC Global Standard for Food Safety

San Pietro in Casale, Italy

Production volume in 2015:	2,100 tonnes
Number of plant employees:	Approx. 90
Number of machine lines:	4 production lines, 10 packaging lines
Largest brands:	Bentasil, Dietor, Dietorelle, Läkerol, Fruttil, Sisu
Manufacturing methods:	Manufacturing of sweetener and starch moulding
Certifications:	Global Standard for Food Safety, IFS Food Standard Version 6, ISO 14001 and OHSAS 18001

Helsingborg, Sweden

Production volume in 2015:	2,000 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



Silvi Marina, Italy

Production volume in 2015:	1,100 tonnes
Number of plant employees:	Approx. 50
Number of machine lines:	4 production lines, 9 packaging lines
Largest brands:	Saila, Sportlife, Läkerol
Manufacturing methods:	Coating and compression of pastilles, liquorice production
Certifications:	BRC Global Standard for Food Safety, ISO 14001 and OHSAS 18001

Raw material costs

Raw materials and packaging account for around 62 per cent of total production costs. In terms of value, the most significant raw materials are sugar, glucose syrup, polyols, cocoa and milk powder. Although the purchase prices for several of Cloetta's raw materials changed during 2015, the total cost was largely on par with the previous year.

The prices of Cloetta's most important raw materials are 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. By doing so, Cloetta can most often 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 dramatically, 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 around 35 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 43.

Cost trend

Sugar

After several years of record high sugar prices, partly due to EU market intervention, prices came down in 2014 and flattened out during 2015. 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.

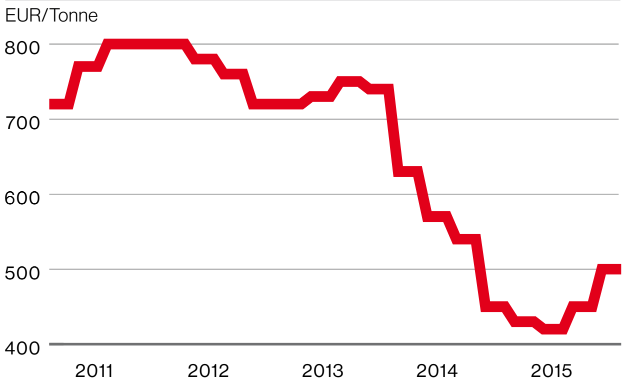
Cocoa

The price of cocoa remained high 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.

Milk

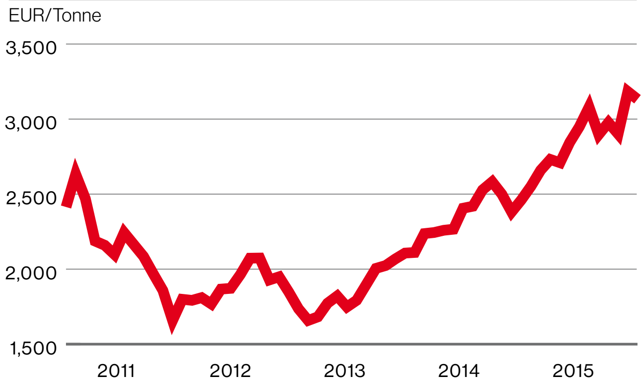
Milk powder prices were exceptionally high at the end of 2013 and beginning of 2014 but decreased during 2015 due to a stock surplus, the Russian embargo and low fresh milk prices, as well as the abolition of the European quota system.

Cost trend sugar



Source: Data Commodity

Cost trend cocoa beans



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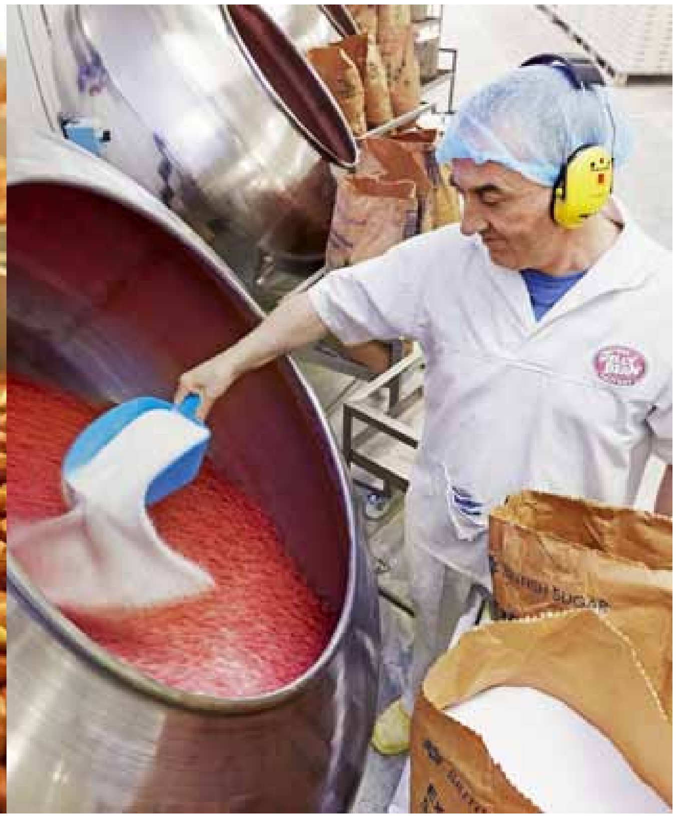


Nuts

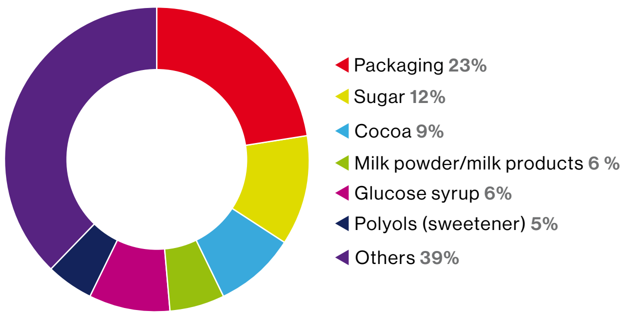
Nut prices are affected mainly by supply/demand, the harvest (weather conditions) and exchange rates, since most of the nuts are quoted in US dollars. The cost of nuts, particularly hazelnuts and almonds, has risen significantly, mainly as a result of poor harvests but has also been exacerbated by negative exchange rates for almonds.

Other raw materials and packaging

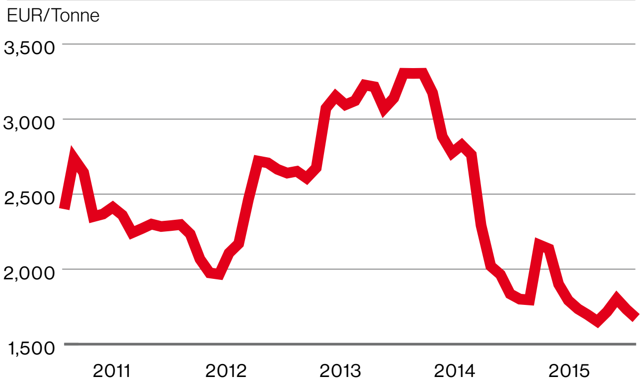
The price of wheat and corn has a powerful influence on the price of glucose syrup. The good harvest in 2015 has resulted in lower prices, while the price of polyols (sweetener) is less affected by grain prices and has therefore not fallen.

Purchase costs for packaging materials have been stable.

Breakdown of raw material and packaging costs

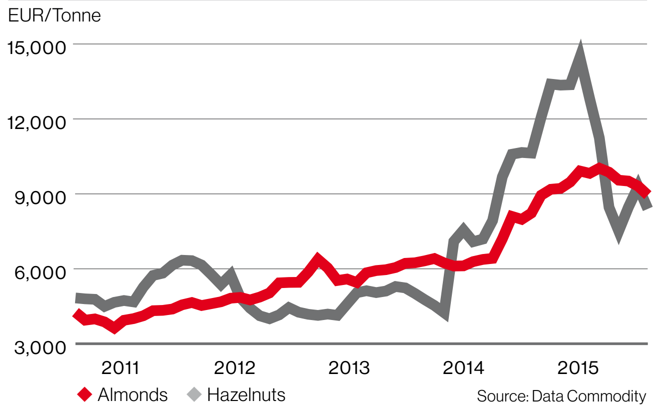


Cost trend milk powder



Source: Data Commodity

Cost trend almonds and hazelnuts

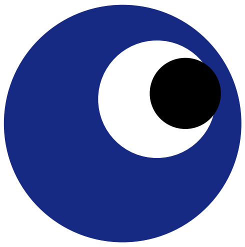


Source: Data Commodity

Corporate responsibility

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.

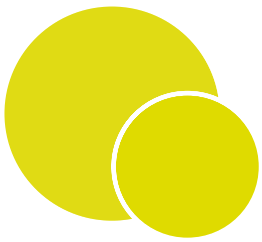


Focus is about doing the fundamentals with self-confidence, ambition and a "will do" attitude.

Focus means continuous, diligent work across the essential parts of our business. We will only be successful by focusing and delivering on prioritized 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 characterizes 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 realize 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".

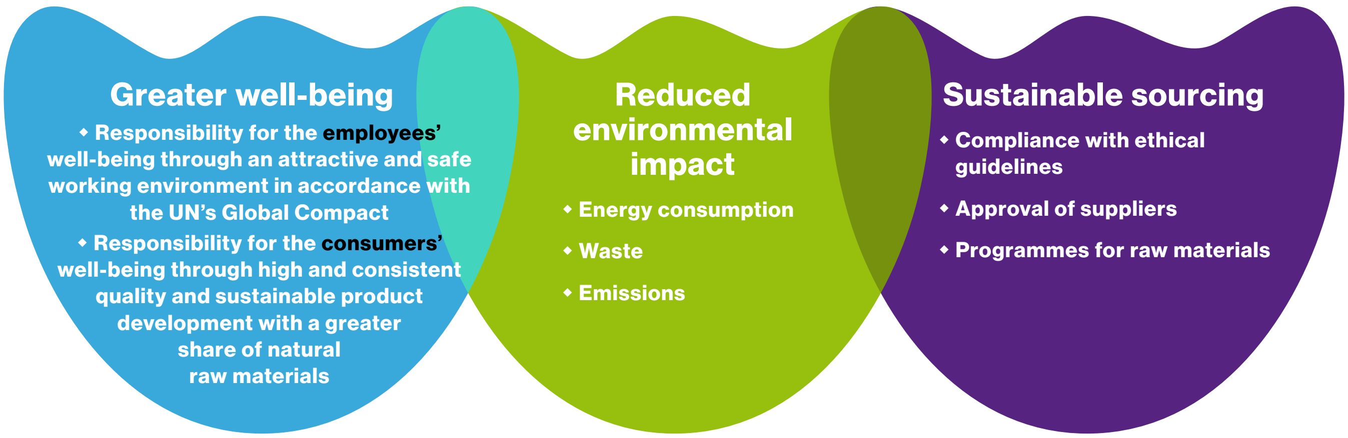
Pride is about being proud of our company, our brands, our products and our personal contribution.

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.

Long-term sustainability

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 affected by Cloetta's operations or products are positively impacted.

Cloetta's sustainability commitment



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 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".

Greater well-being – 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". Read more on page 48.

Reduced environmental impact
Systematic environmental management provides a foundation for Cloetta's efforts to minimize 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 minimized and that continuous improvements shall be made in the environmental area. Read more on page 46.

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 43.

Cloetta's sustainability commitment

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, see page 38.

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 our supplier chain. All prioritized issues related to Cloetta's sustainability work are encompassed in these three areas.

Cloetta's sustainability commitment is a long-term undertaking. Cloetta has therefore formulated a number of goals that extend until 2020. However, the journey to a sustainable society will not end in 2020. Cloetta is therefore working continuously to evaluate the achieved results and improve its working methods within the framework of Cloetta's sustainability commitment in order to continuously improve our corporate responsibility work. Cloetta' goals for 2020 are shown under the respective headings; Greater well-being, Reduced environmental impact and Sustainable sourcing.

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.

Scope

Cloetta's sustainability work primarily covers the company's own operations, meaning Cloetta's direct impact on the environment and people. However, Cloetta's commitment to corporate responsibility is integrated throughout the entire 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.

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 prioritized 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 use and of waste volumes 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 organization by continuously developing and training its staff, designing competitive remuneration systems, upholding an inspiring corporate culture and building a clear corporate identity.

Organization for sustainability work

The overall strategies for Cloetta's corporate responsibility work are adopted by the Group Management Team and are controlled and monitored through business planning processes at several levels in the company. Ultimate responsibility for corporate responsibility lies with Cloetta's President.

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 prioritized 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 in all factories.

Strategic components

Policy and prioritized areas	Cloetta's overall strategy and operational policy. Code of Conduct. Responsible marketing. Materiality analysis and Cloetta's sustainability commitment.
Goals and KPIs	Overall financial targets. Goals and KPIs have been defined for each part of Cloetta's sustainability commitment.
Data	See entire annual report.
Management systems, programmes and certifications	Lean 2020, IFRS. Cloetta's leadership platform. BRC and ISO 14001.
External statutes or initiatives	UN Global Compact and other relevant ILO conventions. EWC (European Works Council)

Cloetta supports

Cloetta is involved in projects primarily in its local markets but also takes part in initiatives at the global level. These can include environmental projects driven within the framework of Cloetta's sustainability 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 materials 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 has joined the UN Global Compact and works to promote its ten principles 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.

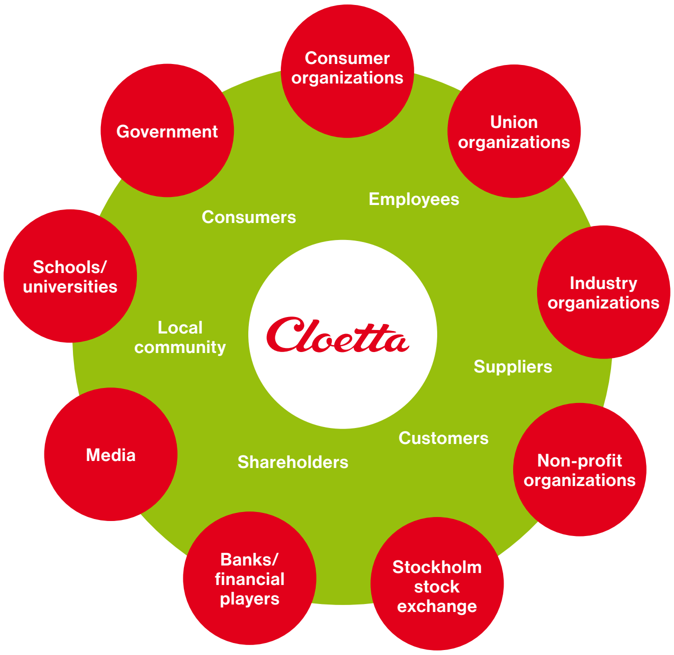
Cloetta's environmental impact

Systematic environmental management provides a foundation for Cloetta's efforts to minimize 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.

Stakeholders and materiality issues

The areas that are prioritized in Cloetta's sustainability commitment have been defined through a materiality analysis. Every year, Cloetta performs a materiality analysis based on the sustainability issues that have been identified in discussions with Cloetta's stakeholders.

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 left. Cloetta has a continuous, open dialogue above all with the primary stakeholders based on the expectations and requirements of each stakeholder group.

The methodology behind Cloetta's materiality analysis is aimed at classifying different types of sustainability issues on the basis of two parameters:

- The stakeholder perspective – i.e. what importance a specific issue has for Cloetta's stakeholders.
- The impact perspective – i.e. the direct impact a specific issue can have on Cloetta from a financial perspective, goodwill, etc.

The issues that are classified as being of critical importance from both a stakeholder and impact perspective are those that have the highest priority for Cloetta. It is these sustainability issues and areas that are defined in Cloetta's sustainability commitment.

Materiality analysis

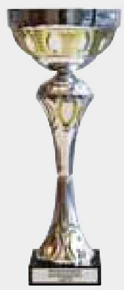
The stakeholders' key sustainability issues

Stakeholder	Key issues – sustainability	Communication and cooperation
Customers/ Consumers	• Product safety and quality. • Clear declaration of ingredients. • Eco-friendly packages. • Cloetta takes responsibility for the environment and working conditions as far as possible. • Ethical issues in general. • Efficient transports to the retail trade.	• With consumers through various surveys and via websites and the social media. • With customers through personal customer and sales meetings and via customer surveys, but also collaborative initiatives for eco-friendly transports.
Employees	• Good and stimulating working conditions. • A safe working environment. • Health and fitness activities. • Ethical issues in general. • Good financial development for the company.	• 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 provided via managers, the intranet and union representatives. • Employee survey Great Place to Work every other year.
Shareholders and investors	• Sustainable long-term financial value growth. • Ethical issues in general.	• Annual report, website, analyst and investor meetings, interim reports and annual general meeting.
Suppliers and other business partners	• Ethics and business codes in procurements. • Product safety. • Sustainable long-term development. • Support of human rights among raw material producers.	• Collaborative projects for sustainability. • Supplier evaluations, sponsorship evaluations and development products.
The public/society	• 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.	• 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.

Awards and honours

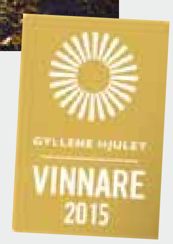
Cloetta – Listed Company of the Year for the second consecutive year

For the second consecutive year, Cloetta was named "Listed Company of the Year" after having won the sub-categories Best Annual Report and Best IR Website.



Bronze Effie Award Tupla

Tupla's campaign on YouTube (read more on page 19) won a Bronze in the Effie Awards, an international marketing competition that is highly prestigious in Finland.



Cloetta Netherlands nominated for National Business Success Award

Cloetta was sector winner in the chocolate and sugar confectionery category. Of the 300 nominated companies across all sectors in the Netherlands, Cloetta was placed among the top ten companies.

Cloetta Sweden winner in Best Practice Awards

Cloetta Sweden was named winner in the best Custom Assortment category in the annual Best Practice Awards, which are arranged by the International Category Management Association.

Polly Goes Bananas wins the "Gyllene Hjulet" award

With a bold underlying idea and wildly creative execution, Polly Goes Bananas, with Sean Banan as front man, won Endorsement of the Year at the Gyllene Hjulet awards. This gala recognizes the best sponsorship and event marketing projects in Sweden.

Sustainable sourcing

Sustainable sourcing in Cloetta's supply chain is a prioritized 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.

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

Cloetta has defined sustainability programmes for a number of raw materials and the long-term goal is to have sustainability programmes in place for all prioritized raw materials by 2020. Cloetta already has programmes in place for cocoa and palm oil. In 2015 two new raw materials have been added; cane sugar and shea butter. Read more about Cloetta's sustainability programmes for these raw materials below.

Evaluation methodology

In prioritizing 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?
- Cloetta's scope to create sustainability projects independently?
- Delivery and quality risks?

Sustainable cocoa

Since 2014 Cloetta buys only sustainable cocoa from UTZ-certified farmers. This means that all cocoa and chocolate that is delivered to Cloetta's factories is 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 securing a supply of high quality cocoa to the factories while providing better possibilities for West Africa 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 smallholder farmers, and each farm consists of an average of 2–4 hectares of land with an average yield 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 3,000 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 grow high quality

Sustainable cocoa farming through UTZ

Cocoa is produced by around 5 million farmers and employs some 40 million people, of whom 70 per cent are found in West Africa, primarily Ghana and Cote d'Ivoire.

Challenge:
- aging trees
- diseases in the cocoa trees
- reduced soil fertility

Leads to:
- lower yields
- lower income
- lower quality of life

at the same time that demand for cocoa has been rising steadily for 100 years

Through UTZ the cocoa farmers are given
- Training in new farming methods
- Support to buy better plants, which leads to higher yields
- UTZ-certified cocoa farmers produce more than growers who are not affiliated with UTZ

Cocoa farmers in Cote d'Ivoire
UTZ-certified
453 kg/hectares
Not UTZ-certified
329 kg/hectares

Cocoa farmers in Ghana
UTZ-certified
444 kg/hectares
Not UTZ-certified
405 kg/hectares

Greater knowledge results in higher quality crops
UTZ-certified cocoa farmers in Cote d'Ivoire have higher knowledge levels than those who are not UTZ-certified, and 83% have shared this knowledge with their families, their employees and others.

In Cote d'Ivoire, **98%** of UTZ-certified farmers say that their cocoa beans meet the cooperatives' quality standards.

In Cote d'Ivoire, **37%** of UTZ-certified farmer feel that the quality of their cocoa beans has improved since joining the UTZ programme.

cocoa in an efficient manner is a root cause behind the farmers' low productivity. The farmers are also struggling with aging cocoa trees and declining soil fertility at the same time that they often lack the means to finance investments in new plants, fertilizers, 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 at www.utz.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

Goals for sustainable sourcing

Goal 2020

Responsibility for raw material suppliers
- Sustainability programmes implemented for all prioritized raw materials.
- 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 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 2015

Responsibility for raw material suppliers
- Sustainability programmes for two new raw materials, cane sugar and shea butter, are under development.
- All of Cloetta's suppliers of oils and fats were audited against Cloetta's policy.
- 97.5 per cent of the palm oil that indirectly purchased by Cloetta has been verified against Cloetta's policy (2015 goals).
- All cocoa that Cloetta purchased during 2015 was UTZ-certified.

Shea butter comes from the nuts of shea trees, which grow wild in central Africa. Collection and drying of shea nuts currently employs around 16 million poor rural women in 21 African countries.

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.

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.

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 2015 all suppliers of oils and fats were audited by Cloetta. The results show that 97.5 per cent of all palm oil found in the oils and fats purchased by Cloetta met the traceability requirement back to known mill by 2015. In 2016 the suppliers of the remaining 2.5 per cent will either be phased or that amount of palm oil will be replaced with other vegetable oils.

Sugarcane

To address the sustainability challenges found in the sugarcane industry, Cloetta has become a member of Bonsucro – a global non-profit organization that fosters sustainability in the sugarcane industry.

There are a number of sustainability challenges in the sugarcane industry. Deforestation to prepare the land for new sugarcane plantations is one of the biggest problems, but other problems related to the rights of indigenous peoples and the work environment also exist.

Most of the sugar purchased by Cloetta is of European origin and comes originally from sugar beets. As a result of the current market dynamics in Europe, Cloetta also buys sugar derived from sugarcane. For a long time the European sugar market has been regulated, which has made Europe a net importer of sugar. Every year, Europe imports 3 million tonnes of sugarcane-based sugar.

With more than 400 members from 32 countries that represent all parts of the delivery chain, Bonsucro is an organization that has the resources to realize its vision: "A sugarcane sector that is continuously improving and verified as sustainable". In addition to support Bonsucro's vision, this membership will give Cloetta the opportunity to better understand the challenges found in the sugarcane industry.

Shea butter

Shea butter is a vegetable oil that is found in some of Cloetta's chocolate products. The oil comes from the nuts of the shea trees that grow wild in central Africa, which are collected and dried in small villages on the savannah. The shea industry has nearly doubled over the past ten years and currently employs around 16 million poor rural women in 21 African countries. Shea butter is an important ingredient in food products, cosmetics and pharmaceuticals around the world.

But there are a number of major challenges for the shea industry in Africa. One primary problem is the declining quality of the shea nuts that are collected from year to year. Another problem is that the women who collect shea nuts have been largely alienated from the rest of the market, and are thereby prevented from receiving adequate compensation for their harvest. Furthermore, the number of shea trees is decreasing continuously, which indicates lower volumes in the future.

To overcome the sustainability challenges in the shea industry, Cloetta has joined the Global Shea Alliance (GSA). The GSA is a non-profit organization that promotes sustainability in the shea industry. The GSA's mission is to design, develop and propose strategies that provide a foundation for a competitive and sustainable shea industry worldwide, and to support and empower the rural African women and their communities.

Reduced environmental impact

Cloettas' 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.

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

Environmental work in the factories

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Seven of the 13 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 six factories that are not yet certified will be added to Cloetta's multi-site certificate successively.

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, see fact box on page 47.

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 scope of Cloetta's impact as a whole, 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 prioritized areas for Cloetta's environmental work are:

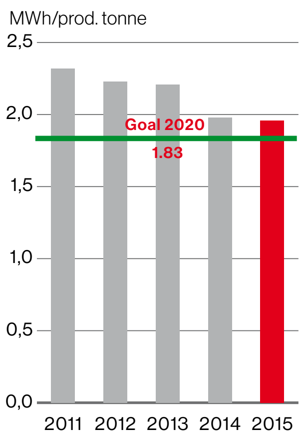
- Energy consumption
- Waste volume, type and recycling
- Reduction carbon dioxide emissions

Environmental key performance indicators

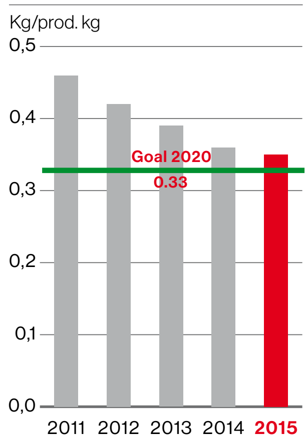
	2011	2012	2013	2014	2015
Total energy consumption, GWh	226	215	219	209	208
Energy consumption per produced tonne, MWh	2.32	2.23	2.21	1.98	1.96
CO_2 per produced kilo, kg	0.46	0.42	0.39	0.36	0.35
Wastewater per produced tonne, m^3	4.4	5.0	4.0	2.9	2.9
COD* per produced tonne, kg	22.6	28.1	26.7	16.6	17.6
Waste per produced tonne, kg	70	80	72	66	67
Recycled waste, %	64	49	71	80	81

* See next page.

Energy consumption

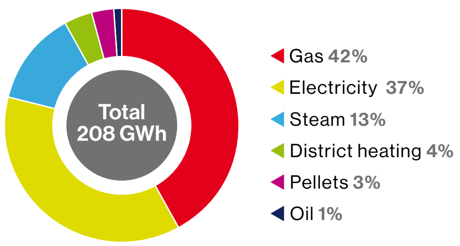


Carbon dioxide emissions



CO_2 equivalents are linked to the Group's use of different energy types. Transports are excluded.

Energy sources



Goals for reduced environmental impact

Goal 2020

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

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

Carbon dioxide emissions
- Reduce CO_2 emissions from production in relation to the produced volume (kg/kg) by 5 per cent.

Outcome 2015

Energy consumption
- Energy consumption in relation to the produced volume decreased by 1.5 per cent.

Waste
- The volume of waste in relation to the produced volume increased by 1.0 per cent.

Carbon dioxide emissions
- CO_2 emissions from production in relation to the produced volume decreased by 2.8 per cent.

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

Energy consumption

The Group's aggregate energy consumption during the financial year was around 208 GWh (209). 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, 81 per cent (80) 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 CO_2 equivalents generated by the chosen energy types.

Transports

Since 2014 Cloetta calculates CO_2 emissions from transports that Cloetta is responsible for. In 2015 48.7 kg of CO_2 were released per produced tonne. To reduce both freight costs and CO_2 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 jeopardizing product quality, refrigerated transports are avoided.

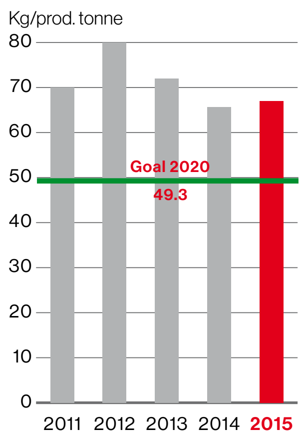
Wastewater

The volume of wastewater was 2.9 m^3 (2.9) per produced tonne. In addition to the three prioritized goals, Cloetta is working 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 or organic compounds in water. There are several projects underway to improve the quality of the wastewater.

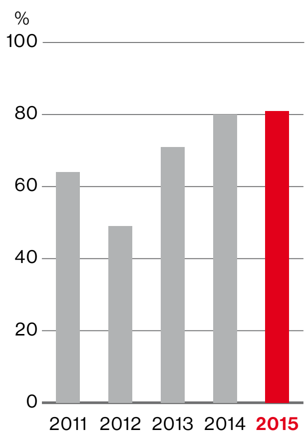
Packaging

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 common method for consumer packaging is so-called "flexibles", a material that can be recycled or incinerated.

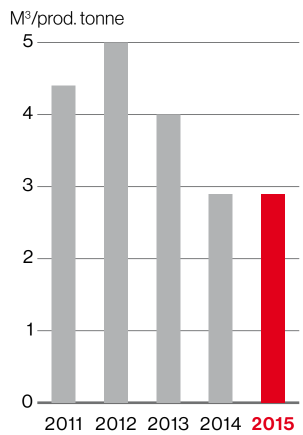
Waste



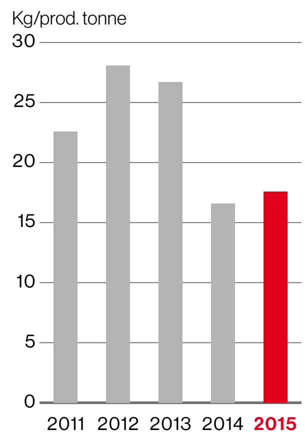
Recycled waste



Wastewater



COD*



* COD (Chemical Oxygen Demand), is a measure of the amount of oxygen consumed in complete chemical decomposition or organic compounds in water.

Responsibility for the consumer's well-being

Fewer calories with stevia

In order to offer products with a reduced calorie content, stevia plays a key 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 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.

Dental benefits 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 various hardwoods and from corncobs. Xylitol protects from tooth decay.

Natural raw materials

Goody Good Stuff and The Jelly Bean Factory are two examples where Cloetta has 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 removed.

In addition, 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.

Clear declaration of ingredients

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

Product safety

High quality and product safety are vital in food production and are strictly adhered to in every step of Cloetta's production processes, from inspection of raw materials to finished products. First class raw materials, correct handling and processes according to the recipes create the right flavour, appearance and consistency and eliminate any risks to the consumers.

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 organization 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 2014. 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 2015 the respective country and factory and department results were analyzed in greater detail. In most of Cloetta's work groups, the main focus has been on improving communication both between the management and employees and between departments. At the end of 2015 Cloetta started preparations for sending out the next employee survey, which is scheduled for the beginning of 2016. In order to optimally handle and focus on the ongoing projects and work with the results of the survey, this will first be done in the commercial organizations and thereafter in the various production areas.

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 organizations. 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.

Goals for greater well-being

Employees

- The number of days between occupational accidents with >1 day of sickness absence will exceed 28 days in 2016. The outcome in 2015 was 26.
- Great Place to Work – the Trust Index will exceed 63 per cent in 2016. The outcome in 2014 was 60 per cent. The next survey will be conducted in 2016.

Whistle blower service

Cloetta strives to uphold an open business climate and high business ethics, and to safeguard safety and respect for the people who are affected by our operations. In 2015 Cloetta implemented a whistleblower service that gives all Cloetta employees the opportunity to report concerns about conduct that is not in line with the company's values or ethical principles. The whistleblower service is an early warning system to reduce risks, ensure good corporate governance and preserve the customers' and public's trust in the Group. As a first course of action, Cloetta's employees are encouraged to contact their manager. If an employee feels unable to openly disclose the information, Cloetta offers an opportunity to report their concerns anonymously.

To ensure the employees' anonymity, the service is operated by an independent third party where the reporting channel is encrypted and password protected. All reports are treated confidentially. Personal data relating to violation of laws is handled only by key persons or individuals in management positions.

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.

Diversity

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. Questions that take up whether anyone feels that they have been harassed or discriminated against are included in the employee survey "Great Place to Work".

The right expertise

Cloetta is committed to continuously renewing and utilizing the Group's aggregate expertise. Competent employees that are given scope to realize their full potential create the conditions for Cloetta to maintain its position as an attractive and innovative partner not only for the employees but also for customers, suppliers and business partners. A learning-driven organization 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 organization. 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 that include both skills tests and self-assessment tests. For all positions, the selection is based on a job description with specific set of competencies against which the candidates' performance is measured, in combination with analysis of the various tests and interview material.

Trust in leadership and 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.

For some time Cloetta has worked with the leadership tool Management Drives, which is based on the use of a questionnaire that among other things identifies the drives for each employee, what energizes them and what drains them of energy. By using this leadership tool, both managers and employees are made aware of their own profiles and thereby which working methods suit them best. In 2015 the company further developed its leadership tool through the launch of Cloetta's Leadership Dimensions, which are as follows:

- Visionary Leadership
- People Leadership
- Entrepreneurial Leadership
- Structured Leadership
- Committed Leadership
- Trusted Leadership

Each dimension is briefly described with the help of a number of competencies and behaviours that are tied together with Management Drives. By interconnecting these two, the Group has created its own terminology that describes who we are and why good leadership is necessary in order to realize the Group's vision, inspire maximum motivation and performance among the employees and create profitable long-term growth.

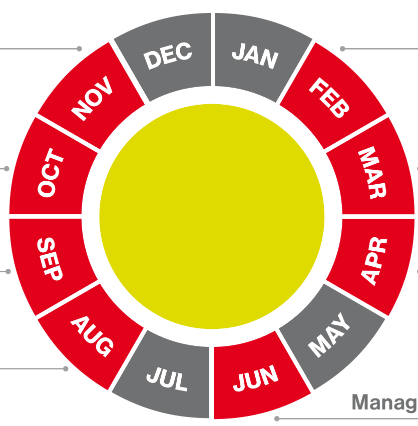
Cloetta's HR wheel

Update of job descriptions and preparations for the upcoming evaluation process

Skills development with a focus on the organization's challenges for the coming year

Strategic plan

Semi-annual follow-up of employee evaluation



Employee evaluation:

- Individual goals
- Individual development measures

Target levels established

Salary review

Management review

- Succession planning
- Identification of new and follow-up of existing talents

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

Safety – the foundation for operational excellence

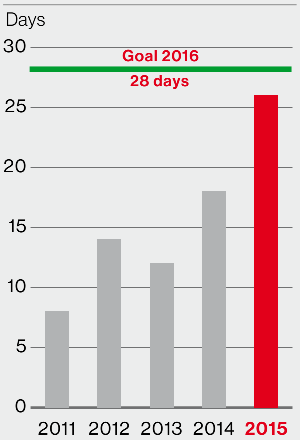
The single most important reason for creating a safe and healthy working environment at Cloetta is to ensure that the employees can return home to their families every day in the same physical condition they left in. But there are also other good reasons. Cloetta aims for operational excellence in everything the company does. As a first step towards achieving operational excellence Cloetta focuses on safety. Being and feeling safe on the job are essential in order to develop and perform well in the workplace.

All accidents can be avoided, and by investigating accidents and incidents Cloetta will continue to eliminate the root causes of injuries. To support these efforts there is also a programme aimed at minimizing the risks in our business, even if it is not possible to create a risk-free environment.

In 2015 considerable resources and effort were devoted to further developing Cloetta's safety culture. The results for 2015 show a substantial improvement, but it is crucial to remember that every accident can lead to suffering for the individual. Cloetta measures the number of working days between accidents (accidents with more than one day of absence) and compared to 2014 the average number of days between accidents has increased from 18 to 26.

Days between occupational accidents

(average number of days between incidents leading to >1 day of absence)



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 behaviour.

In spite of the excellent results and improvements achieved in 2015, Cloetta will continue to drive its safety culture in 2016 by focusing on the three following areas:

Leadership

Cloetta applies the principle of leading by example. Leaders at all levels in Cloetta must make safety their top priority and act accordingly.

In 2015 all leaders in the supply chain attended a full-day training course on safety that covered leadership and safety conversations according to the watchword "take 60 seconds to think before acting". This has already had a significant impact on the safety culture, which has led to a doubling in reporting of unsafe acts and conditions and near misses.

Risk reduction

It is not possible to eliminate all risks. Instead, Cloetta's focus is on reducing the greatest risks while at the same time managing other risks in our activities. This is done through a system in which Cloetta analyze all current risks in its business and then establishes group-wide projects to reduce them. One such example is the ongoing programme to upgrade the forklift truck fleet to safer machines equipped with additional safety features. In combination with this, the drivers are being trained according to a uniform standard to ensure that the right behaviours are established. And lastly, investments are being made in the factory infrastructure to create separate areas for forklift trucks.

Behaviour

Human behaviour is decisive for management of safety aspects. Every employee at Cloetta is responsible for his or her own behaviour when it comes to safety. Furthermore, all Cloetta employees must take responsibility for the behaviour of their colleagues. The concept of "my brother's keeper" is a mindset that will be developed through activities in the safety conversation programme, where all employees are given the opportunity to challenge unsafe acts and discuss more effective methods for performing tasks so that the risks are reduced. The programme is long-term and group-wide.

This concept was launched with the help of a digital "playing field" where managers cooperated in groups to work through a number of exercises aimed at providing a better understanding and insight into the different Leadership Dimensions. A simple digital PC- and mobile-adapted tool was created to assist the managers with follow-up of their activities in day-to-day leadership. In 2016 Cloetta is planning training activities to strengthen Cloetta's Leadership Dimensions in day-to-day work and create an understanding of how each individual's own leadership can be developed in a way that boosts employee motivation and performance.

New salary framework

One major factor in how employees perceive the attractiveness or 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 optimized 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

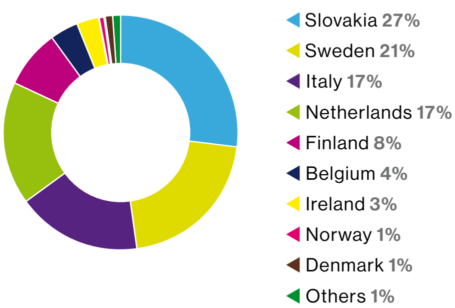
The average number of employees in 2015 was 2,583 (2,533). The increase is due to the acquisitions during 2014 and 2015, but was offset somewhat by the factory restructurings that were carried out successively during 2014. Of the total number of employees, 54 per cent are employed under collective agreements and 46 per cent are salaried employees.

Flat organization for shorter decision-making processes

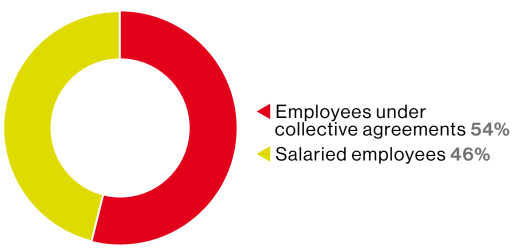
Cloetta has employees in 14 countries who are active in sales and marketing, production, innovation and support functions. Cloetta's head office is located in Stockholm.

Cloetta is organized according to function and its commercial organization is separate from the supply chain organization. Personnel, finance and administrative units are found in each main market and serve as support functions for both the local sales and marketing organization 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.

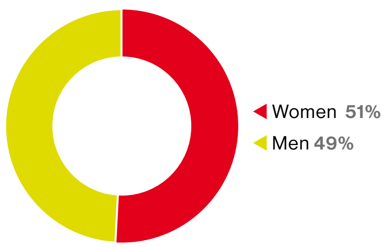
Employees by country



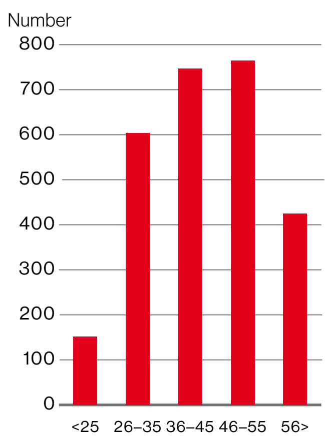
Employee categories
31 December 2015



Gender distribution
31 December 2015



Age distribution



Employees	Slovakia	Sweden	Italy	Netherlands	Finland	Belgium	Ireland	Denmark	Norway	Germany	UK	Other	Total
Average number of employees	706	553	440	426	193	106	68	38	35	7	6	5	2,583
– of whom, women	480	253	179	159	160	24	25	21	16	3	3	4	1,327
Sickness absence, %	7.1	5.6	4.7	4.8	2.2	6.9	4.0	1.7	7.9				

Share and shareholders

Six reasons to invest in Cloetta

1

Strong local brands

Cloetta has an extensive portfolio of strong 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.

2

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. Added to these are strategic activities such as innovations, geographical roll-outs, brand extensions and brand relaunches. Lastly, acquisitions can be used to generate growth.

3

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.

4

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, adjusted for one-off items, of 14 per cent, there will be a continued focus on cost-effectiveness, growth and profitability.

5

Strong market positions and distribution

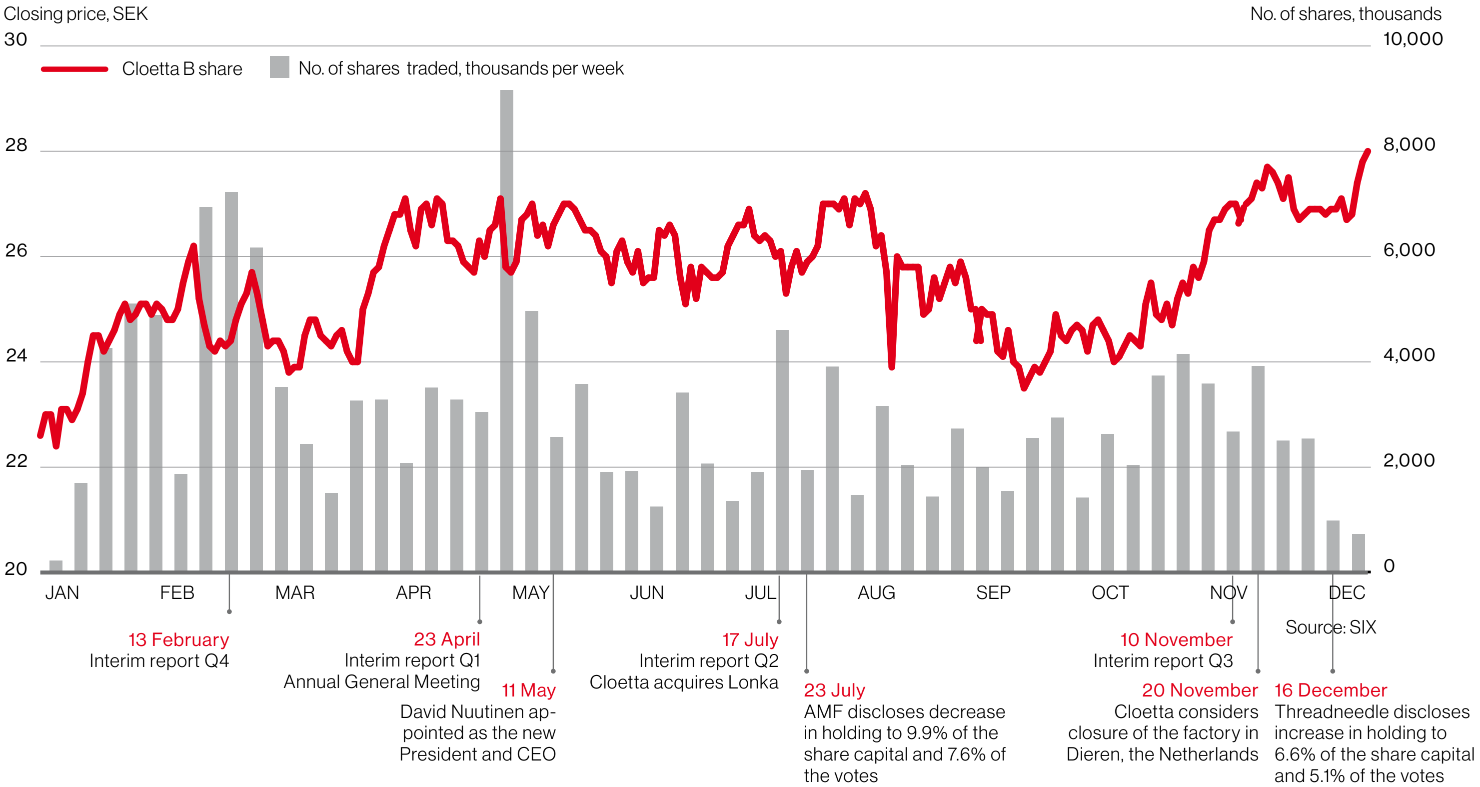
In its core markets, Cloetta has strong sales and marketing organizations that have excellent relations with the retail trade. The wide portfolio of market-leading products creates economies of scale and the brands are often a "must have" for the retail trade.

6

Attractive cash flow generation and dividend

Cloetta's business has a very strong cash generating capacity. Low and stable capital expenditures combined with improved management of working capital generate robust cash flows and thereby allow for share dividends in accordance with the goal to distribute 40-60 per cent of profit after tax.

Share price performance during 2015



Source: SIX

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 various owner constellations. 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.

Shareholders[1]

At 31 December 2015 Cloetta AB (publ) had 14,164 shareholders, an increase of 12 per cent since year-end 2014. Of the shareholders, 1,146 were financial and institutional investors and 13,018 were private investors. Financial and institutional investors held 91.0 per cent of the votes and 88.3 per cent of the share capital. There were 606 foreign shareholders who held 27.0 per cent of the votes and 35.3 per cent of the share capital. The 15 largest shareholders accounted for 66.6 per cent of the votes and 56.3 per cent of the share capital.

At 31 December 2015, AB Malfors Promotor was Cloetta's largest shareholder with a holding representing 41.5 per cent of the votes and 23.6 per cent of the share capital in the company. The second largest shareholder was AMF Försäkring & Fonder with 5.2 per cent of the votes and 6.8 per cent of the share capital and the third largest shareholder was Threadneedle (Ameriprise Financial Inc.) with 5.1 per cent of the votes and 6.6 per cent of the share capital.

Share price and trading[2]

During the period from 1 January to 31 December 2015, 159,022,268 Cloetta shares were traded on Nasdaq Stockholm for a combined value of SEK 4,063m, equal to around 57 per cent of the total number of class B shares on Nasdaq Stockholm at the end of the period. Trading on Nasdaq Stockholm accounted for 72.6 per cent, and other markets where the Cloetta share was traded include BATS Chi-X Europe 17.4 per cent, LSE Group 3.2 per cent, BOAT 2.2 per cent, Liquidnet 1.5 per cent, UBS 1.4 per cent, ITG 1.3 per cent and Nomura Group 0.4 per cent.

The highest quoted bid price during the period from 1 January to 31 December 2015 was SEK 28.20 on 3 December and the lowest bid price was SEK 22.40 on 7 January. The share price on 31 December 2015 was SEK 28.00 (last price paid). During the period from 1 January to 31 December 2015, Cloetta's share price increased by 23 per cent, while Nasdaq Stockholm PI rose by 7 per cent.

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 B shares
Highest price paid in 2015	SEK 28.20 (3 December)
Lowest price paid in 2015	SEK 22.40 (7 January)
Last price paid 2015	SEK 28.00
Share price growth in 2015	23 per cent
The share's beta	0.69
The share's standard deviation	1.6 per cent

1) Sources: Euroclear and Holdings
2) Sources: Nasdaq Stockholm and Fidessa
3) Source: SIX

The share's beta and standard deviation[3]

The price volatility of an individual share in comparison with the market as a whole is known as its beta. If the beta is greater than 1, it indicates that the share price is more volatile than the market average. A beta of less than 1 means that the share is less volatile than the market as a whole.

The Cloetta share's beta in 2015 was 0.69, which means that the Cloetta share was less volatile than the average on Nasdaq Stockholm.

The Cloetta share had a standard deviation of 1.6 per cent in 2015. Standard deviation is a measure of the share's variability from the average value for the measurement period, i.e. how volatile the share was during the year.

Share capital and capital structure

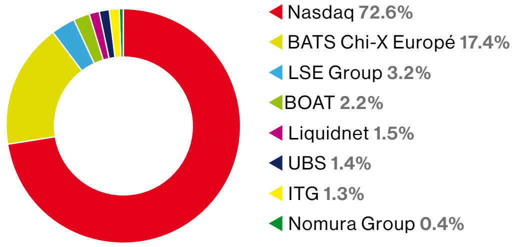
Cloetta's share capital at 31 December 2015 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, divided between 9,861,614 class A shares and 278,757,685 class B shares, equal to a quota value per share of SEK 5. According to the Articles of Association, the share capital shall amount 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 shares.

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. No transfer of value to the sharehold-

Marketplaces, %

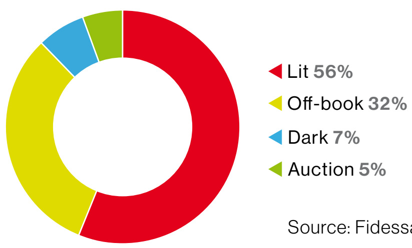
1 January–31 December 2015



Source: Fidessa

Trading categories, %

1 January–31 December 2015



Source: Fidessa

Lit, i.e. buy and sell orders are public. Traditional exchange trading.
Off-book, stock trades that are executed away from the exchange and are registered later.
Dark Pool, buyers and sellers trade shares anonymously, without public transparency. Not registered on any public exchange.
Auction, auction trading process on an exchange.

ers took place during 2015. The ambition is for future cash flows to continue to be used for repayment of debt and share dividends, but also to create financial flexibility for complementary acquisitions. For 2015 the Board proposes a dividend of SEK 0.50 per share, which is equal to 37.0 per cent of profit for the year.

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.

Articles of Association

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.

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.

Undertaking by Malfors Promotor

In connection with the merger between Cloetta and Leaf in December 2011, Malfors Promotor undertook, in relation to Cloetta and Leaf Holding S.A. (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 per centages 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 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.

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.

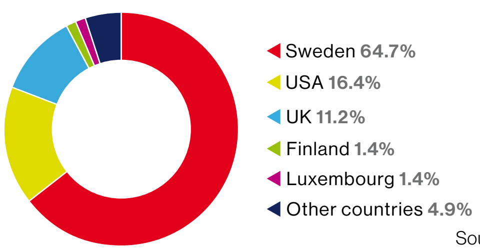
Individuals with an insider position

The members of the Board, the Group Management Team, the authorized 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-publicized 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.

Shareholder countries, % share of capital

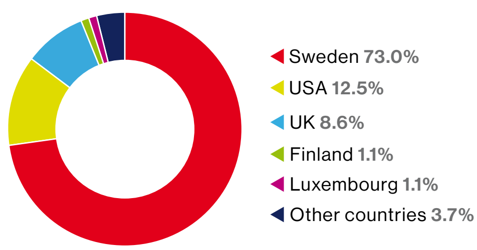
31 December 2015



Source: Euroclear

Shareholder countries, % of votes

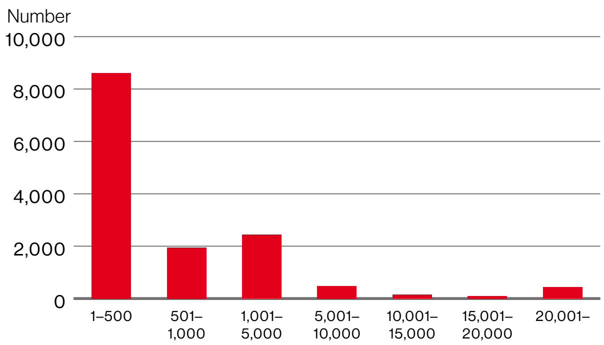
31 December 2015



Source: Euroclear

Number of shareholders by size of holding

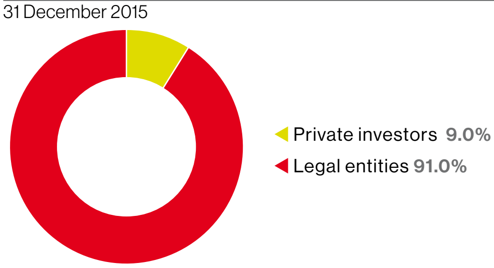
31 December 2015



Source: Euroclear

Shareholder categories, % of votes

31 December 2015



Source: Euroclear

Development of the share

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 demerger of Cloetta Fazer	99,900,000	100,000,000	999,000	1,000,000
2008	Share split, quota value of the share changed from SEK 100 to SEK 4	–	100,000,000	23,119,196	24,119,196
2008	Bonus issue, quota value of the 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

15 largest shareholders at 31 December 2015

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares	Country
AB Malfors Promotor	41.5	23.6	68,063,560	9,855,934	58,207,626	Sweden
AMF Försäkring & Fonder	5.2	6.8	19,755,549	0	19,755,549	Sweden
Threadneedle (Ameriprise Financial Inc.)[1]	5.1	6.6	19,189,649	0	19,189,649	UK
Danske Invest & Danica Pension	1.8	2.4	6,851,513	0	6,851,513	Sweden
Svenskt Näringsliv	1.6	2.1	6,000,000	0	6,000,000	Sweden
Carnegie Fonder	1.6	2.0	5,867,970	0	5,867,970	Sweden
DFA Fonder	1.4	1.8	5,323,584	0	5,323,584	USA
Norges Bank	1.4	1.8	5,302,822	0	5,302,822	Norway
Ulla Håkanson	1.3	1.7	5,000,000	0	5,000,000	Sweden
Odin Fonder	1.3	1.7	4,836,770	0	4,836,770	Norway
Handelsbanken Pensionsstiftelse	1.2	1.6	4,500,000	0	4,500,000	Sweden
Länsförsäkringar Fonder	1.0	1.4	3,924,369	0	3,924,369	Sweden
Handelsbanken Fonder	1.0	1.3	3,724,683	0	3,724,683	Sweden
Olof Svenfelt	0.6	0.8	2,347,330	30	2,347,300	Sweden
Cliens Fonder	0.6	0.7	2,081,362	0	2,081,362	Sweden
Total, 15 largest shareholders	**66.6**	**56.3**	**162,769,161**	**9,855,964**	**152,913,197**	
Other shareholders	33.4	43.7	125,850,138	5,650	125,844,488	
Total	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**	

Source: : Holdings 1) According to disclosure notice on 16 December 2015.
Trustee-registered accounts/shareholders are not included in this list. Current holdings for the 15 largest shareholders can be found at www.cloetta.com

Size categories at 31 December 2015

	No. of shareholders	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
1–500	8,611	0.4	0.5	1,391,343	2,097	1,389,246
501–1,000	1,952	0.5	0.6	1,702,757	500	1,702,257
1,001–5,000	2,436	1.6	2.1	6,128,191	1,900	6,126,291
5,001–10,000	480	1.0	1.3	3,682,604	1,026	3,681,578
10,001–15,000	149	0.5	0.7	1,936,950	0	1,936,950
15,001–20,000	99	0.5	0.6	1,833,696	0	1,833,696
20,001–	437	95.5	94.2	271,943,758	9,856,091	262,087,667
Total	**14,164**	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**

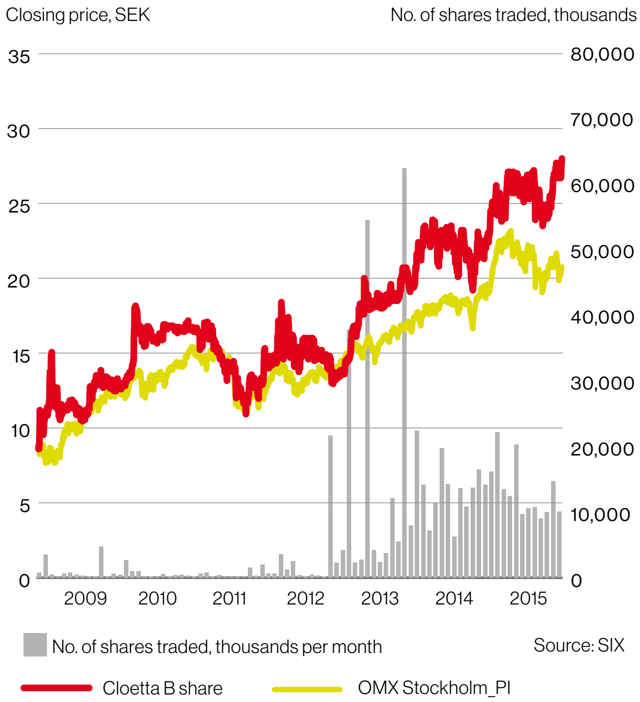
Source: Euroclear

Shareholders by country at 31 December 2015

	No. of shareholders	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	13,558	73.0	64.7	186,675,760	9,861,614	176,814,146
USA	64	12.5	16.4	47,311,817	0	47,311,817
UK	58	8.6	11.2	32,290,250	0	32,290,250
Finland	118	1.1	1.4	4,117,087	0	4,117,087
Luxembourg	22	1.1	1.4	4,043,344	0	4,043,344
Other countries	344	3.7	4.9	14,181,041	0	14,181,041
Total	**14,164**	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**

Source: Euroclear

Share price performance from the date of listing until 31 December 2015



Shareholder categories at 31 December 2015

	% of votes	% of share capital	No. of share-holders	% of share-holders
Private investors	9.0	11.7	13,018	91.9
Of which, Swedish residents	8.8	11.5	12,919	91.2
Legal entities	91.0	88.3	1,146	8.1
Of which, Swedish residents	64.2	53.2	639	4.5
Total	**100**	**100**	**14,164**	**100**
Of which, Swedish residents	73.0	64.7	13,558	95.7

Source: Euroclear

Analysts
The following analysts regularly monitor Cloetta's development:
Berenberg Bank, Anna Patrice
Carnegie, Fredrik Villard
Danske Bank, Mikael Holm
Handelsbanken, Erik Sandstedt
Handelsbanken, Peter Wallin
SEB, Stefan Cederberg

Credit analysts
Handelsbanken, Ola Eriksson
Nordea, Alexander Koefoed
Nordea, Rickard Hellman

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.

Incentive schemes

Share-based long-term incentive plan (LTI 2015)

The AGM on 23 April 2015 approved the Board's proposal to implement a share-based long-term incentive plan (LTI 2015). A maximum of 2,000,000 class B shares in Cloetta may be allocated under the terms of LTI 2015, which is equal to approximately 0.7 per cent of the outstanding shares and 0.5 per cent of the outstanding votes.

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

The AGM on 29 April 2014 approved the Board's proposal to implement a share-based long-term incentive plan (LTI 2014). A maximum of 1,773,840 B 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.

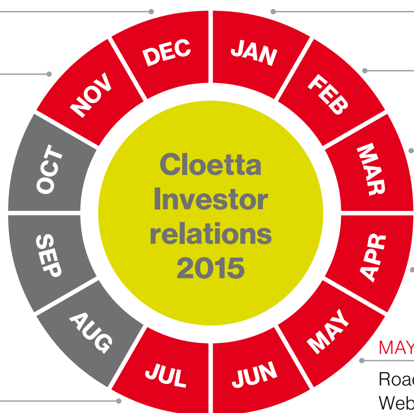
Share-based long-term incentive plan (LTI 2013)

The AGM on 11 April 2013 approved the Board's proposal to implement a share-based long-term incentive plan (LTI 2013). A maximum of 1,920,000 B shares in Cloetta may be allocated under the terms of LTI 2013, which is equal to approximately 0.7 per cent of the outstanding shares and 0.5 per cent of the outstanding votes.

For more information about the incentive plans, see page 76, and Note 24 on page 112.

IR contact
Jacob Broberg
SVP Communications & Investor Relations
Phone: +46 70-190 00 33
jacob.broberg@cloetta.com
Twitter: JacobBroberg

Investor relations 2015



JANUARY
Presentation at SEB Nordic Seminar in Copenhagen.

FEBRUARY
Year-end report 2014, webcast with conference call.

MARCH
Presentation at ABG Small Cap Seminar.

APRIL
Interim report Q1 2015, webcast conference call.
AGM.

MAY
Roadshow presentation in New York, London and Stockholm.
Webcast conference call new President and CEO.

JUNE
Presentation at Handelsbanken Mid Cap Seminar.

JULY
Interim report Q2 2015, webcast with conference call.
Cloetta acquires Lonka.

NOVEMBER
Interim report Q3 2015, webcast with conference call.
Roadshow presentation in Stockholm, London and New York.

DECEMBER
Roadshow presentation in Frankfurt.

Cloetta has also had several individual meetings with investors and analysts. In total, Cloetta met more than 100 investors and analysts during the year. Cloetta has also attended several investor club meetings throughout Sweden organized by the Swedish Shareholders Association (Aktiespararna).

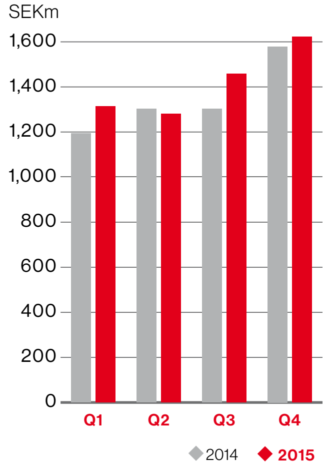
Financial performance

Net sales and profit

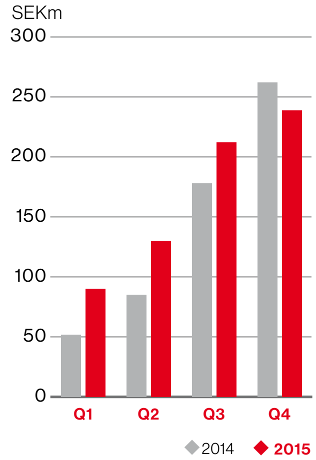
Condensed consolidated profit and loss account

SEKm	2015	2014
Net sales	5,674	5,313
Cost of goods sold	–3,463	–3,325
Gross profit	**2,211**	**1,988**
Other income	0	5
Selling expenses	–949	–892
General and administrative expenses	–591	–524
Operating profit	**671**	**577**
Net financial items	**–178**	**–239**
Profit before tax	**493**	**338**
Income tax	–107	–96
Profit for the year	**386**	**242**

Net sales



Operating profit



Net sales

Net sales for the full year were up by SEK 361m to SEK 5,674m (5,313) compared to the same period of last year. Organic growth amounted to 1.5 per cent, acquisition-driven growth was 3.9 per cent and changes in exchange rates accounted for 1.4 per cent.

Over half, or 55 per cent (52), of Cloetta's sales consist of sugar confectionery and around 15 per cent (17) of chocolate. Pastilles account for roughly 15 per cent (16), chewing gum for 7 per cent (7), nuts 3 per cent (3) and other products, mainly sweeteners, for 5 per cent (5). The largest increase compared to the previous year was seen for sugar confectionery, mainly owing to the acquisitions of The Jelly Bean Factory in the second quarter of 2014 and Lonka in July 2015, and the new pick-and-mix concept that was launched in Sweden during the year.

Six main markets

Cloetta has six main markets, of which Sweden is the largest with around 30 per cent (29) of the Group's sales. The second largest market is Finland with 18 per cent (18). The Netherlands account for 13 per cent (12), Italy for 13 per cent (14), Denmark for 6 per cent (5) and Norway for 4 per cent (5).

Sales increased in all markets except Italy and Norway. The positive sales trend in Sweden was driven mainly by the launch of a new pick-and-mix concept at Coop. Increased sales of pick-and-mix also contributed to the sales growth in Finland. In Denmark sales were up mainly for chocolate.

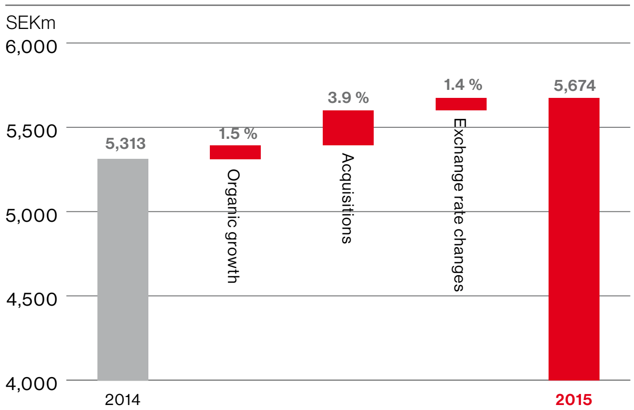
The declining sales in Italy are explained by the introduction of price increases in the range of 20 per cent for the key seasonal products. The prices have been increased to compensate for a surge in the price of hazelnuts and almonds, two important ingredients in the Italian seasonal products. These price increases led to a steep drop in volumes.

Contract manufacturing also declined.

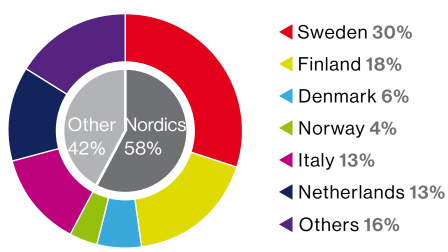
Other markets

In addition to the main markets, Cloetta's products are sold through distributors in some additional 40 markets. Sales in these markets increased compared to the previous year and other markets combined accounted for 16 per cent of the Group's sales. The two largest markets are Germany and the UK. Wider distribution and new product launches contributed to the sales growth in Germany. Sales declined in the UK.

Net sales – change



Net sales by country



Price strategies

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 70 per cent, but is significantly lower in Italy. In total, Cloetta's ten largest customers accounted for around 40 per cent of the Group's sales.

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.

Gross profit

Gross profit amounted to SEK 2,211m (1,988), which is equal to a gross margin of 39.0 per cent (37.4). The improvement in gross margin is mainly explained by higher efficiency in the factories and lower restructuring costs.

Raw material and packaging account for 62 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. Overall raw material costs were largely unchanged for Cloetta during the year, but the prices of certain individual raw materials, such as nuts, have risen. In addition, exchange rate changes have affected the purchase costs for certain products.

Operating profit

Operating profit was SEK 671m (577). The improvement is due mainly to the improved gross profit compared to 2014. A remeasurement of the contingent earn-out consideration for completed acquisitions has also had a positive impact on operating profit.

One-off items

Operating profit for the full year includes one-off items of in total amount of SEK –19m (–55) that are mainly related to costs for the acquisition of Locawo B.V, the closure of the factory in Dieren, the Netherlands, and the reorganization in Italy. In addition, they include a remeasurement of the contingent earn-out consideration for completed acquisitions.

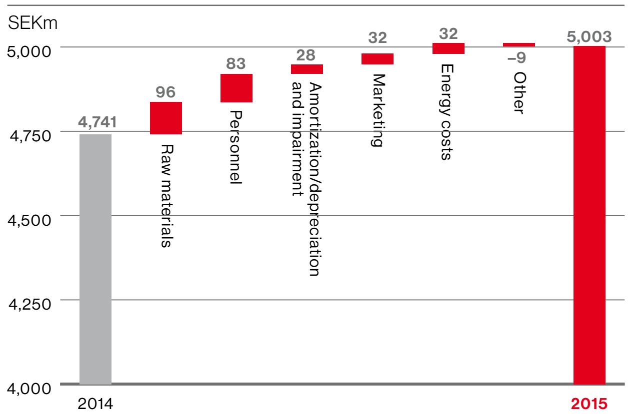
Employees

The average number of employees was 2,583 (2,533). The increase is mainly related to acquisitions.

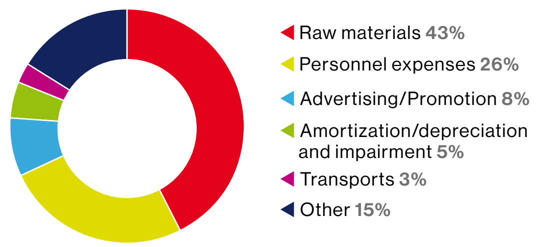
Research and development

Costs for research and development (R&D) were charged to operating profit in an amount of SEK 47m (39) and are primarily attributable to the creation of new product and brand varieties as well as packaging solutions within the framework of the existing product range. No expenses for research and development have been capitalized.

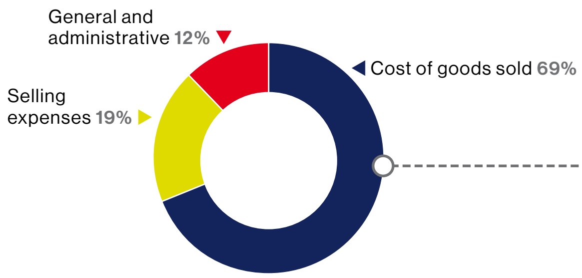
Total operating expenses including cost of goods sold



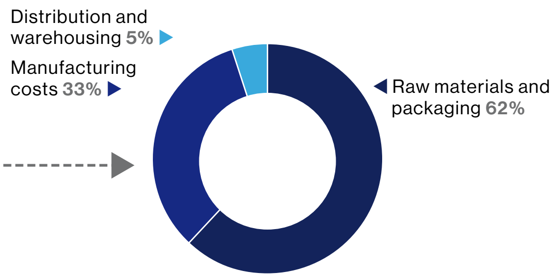
Operating expenses



Total operating expenses



Cost of goods sold



Quarterly data

	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
Net sales, SEKm	5,674	1,622	1,459	1,280	1,313	5,313	1,579	1,303	1,238	1,193
Operating profit, SEKm	671	239	212	130	90	577	262	178	85	52
Operating profit margin, %	11.8	14.7	14.5	10.2	6.9	10.9	16.6	13.7	6.9	4.4

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 2014 and 2015 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.

Net financial items

Net financial items for the year amounted to SEK –178m (–239). Interest expenses related to external borrowings were SEK–120m (–146) and other financial items amounted to SEK –58m (–93). Of total net financial items, SEK –43m (–69) was non-cash in nature.

Net financial items

SEKm	2015	2014
Interest expenses on third-party borrowings and realized losses on single currency interest rate swaps	–120	–146
Exchange differences on borrowings and cash	–1	–11
Interest on contingent earn-out consideration	–13	–14
Amortization of capitalized transaction costs	–18	–19
Unrealized gains and losses on currency interest rate swaps	5	–23
Other financial expenses, net	–31	–26
Total	–178	–239

Profit for the year

Profit for the year was SEK 386m (242), which is equal to basic and diluted earnings per share of SEK 1.35 (0.84). Income tax for the year was SEK–107m (–96). The effective tax rate for the full year was 21.7 per cent (28.4).

Key ratios

%	2015	2014
Gross margin	39.0	37.4
Operating profit margin	11.8	10.9
Return on capital employed	8.6	7.5
Return on equity	8.9	6.0

For definitions, see page 139.

Financial position

Condensed consolidated balance sheet

SEKm	31 Dec 2015	31 Dec 2014
ASSETS		
Non-current assets		
Intangible assets	5,948	5,882
Property, plant and equipment	1,698	1,667
Deferred tax asset	64	84
Other financial assets	27	105
Total non-current assets	**7,737**	**7,738**
Current assets		
Inventories	786	853
Trade and other receivables	975	1,121
Current income tax assets	3	3
Derivative financial instruments	1	2
Cash and cash equivalents	246	229
Total current assets	**2,011**	**2,208**
Assets held for sale	11	16
Total assets	**9,759**	**9,962**
EQUITY AND LIABILITIES		
Equity	**4,344**	**4,048**
Non-current liabilities		
Long-term borrowings	2,612	2,993
Deferred tax liability	621	483
Derivative financial instruments	44	56
Other non-current liability	43	147
Provisions for pensions and other long-term employee benefits	378	505
Provisions	10	16
Total non-current liabilities	**3,708**	**4,200**
Current liabilities	**1,707**	**1,714**
TOTAL EQUITY AND LIABILITIES	**9,759**	**9,962**

Assets

Total assets at 31 December 2015 amounted to SEK 9,759m (9,962), which is a decrease of SEK 203m compared to the previous year.

Non-current assets

Intangible assets totalled SEK 5,948m (5,882). Acquired intangible assets as a result of business combinations during the year totalled SEK 183m (363). The year's investments amounted to SEK 23m (62) and amortization amounted to SEK –34m (–30). Exchange differences on capitalized intangible costs amounted to SEK –106m (235) related to intangible assets of which the functional currency is other than Swedish kronor. Of total intangible assets, 98 per cent or SEK 5,803m (5,744) pertained to goodwill and trademarks. Goodwill and trademarks are tested at least yearly for impairment. On the balance sheet date at 31 December 2015 there was no indication of impairment. See also Note 11.

Property, plant and equipment amounted to SEK 1,698m (1,667). Acquired property, plant and equipment resulting from the acquisition of Lonka totalled SEK 121m (43). The year's investments amounted to SEK 138m (124), of which SEK 26m (8) referred to land and buildings and SEK 112m (116) to machinery and equipment. The year's investments in property, plant and equipment referred primarily to continuous efficiency-enhancing and replacement investments made on the existing production lines. Depreciation amounted to SEK –197m (–171).

Current assets

Current assets amounted to SEK 2,011m (2,208), a decrease of SEK 197m compared to the previous year. The decrease is due partly to lower inventory levels compared to the same period of last year and partly to lower trade receivables as a result of lower seasonal sales in Italy in the run-up to Christmas.

Assets held for sale consist of the Zola Predosa factory in Italy, which was available for sale at 31 December 2015.

Equity and liabilities

Equity

Consolidated equity increased in 2015 from SEK 4,048m to SEK 4,344m. On the balance sheet date the share capital amounted to SEK 1,443m (1,443). The equity/assets ratio on the same date was 44.5 per cent (40.6).

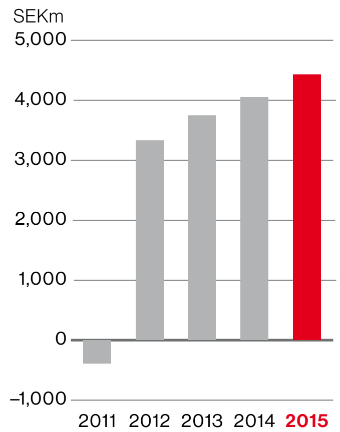
Liabilities

Non-current liabilities, consisting mainly of loans to credit institutions and senior secured notes, amounted to SEK 3,708m (4,200), which is a decrease of SEK 492m compared to the previous year.

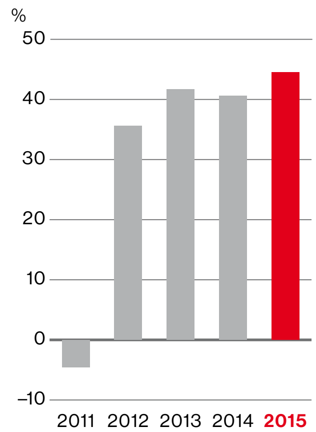
Provisions for pensions decreased from SEK 505m to SEK 378m mainly as a result of gains from changes in acturial assumptions.

Current liabilities are reported at SEK 1,707m (1,714), of which SEK 541m (586) referred to trade payables, SEK 344m (423) to borrowings and SEK 822m (705) to other current liabilities.

Equity



Equity/assets ratio



Loan conditions

The senior secured notes bear interest at a rate of 3-month STIBOR plus 3.10 per cent. The bank loans bear interest at a rate of 3-month STIBOR plus applicable margin for loans in SEK and 3-month EURIBOR plus applicable margin for loans in EUR. The overdraft facility bears interest at a rate of 1-week EURIBOR plus applicable margin and an annual fee equal to 40 per cent of the applicable margin. The applicable margin at 31 December 2015 was 2.25 per cent (3.00).

The combined effective interest rate on loans from credit institutions and the senior secured notes was 2.76 per cent (3.50) at 31 December 2015.

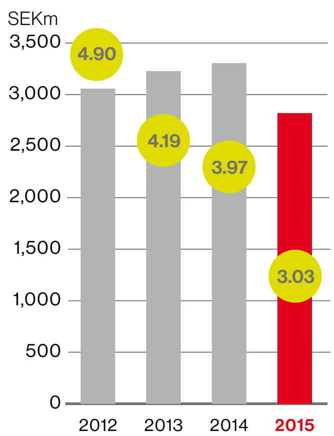
The senior secured notes mature in September 2018 and the non-current borrowings from credit institutions mature in April 2017.

Net debt

Interest-bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 2,818m (3,308). The net debt/equity on the balance sheet date was 64.9 per cent (81.7).

SEKm	31 Dec 2015	31 Dec 2014
Gross non-current borrowings	1,625	2,026
Gross current borrowings	360	229
Credit overdraft facility	–	211
Senior secured notes	1,000	1,000
Derivative financial instruments (current and non-current)	78	70
Interest payable	1	1
Gross debt	3,064	3,537
Cash and cash equivalents	–246	–229
Net debt	2,818	3,308

Net debt/EBITDA



For definitions see page 139.

Change in capital employed

The Group's capital employed decreased from SEK 8,041m to SEK 7,756m, a decrease of SEK 285m.

Comments on the cash flow statement

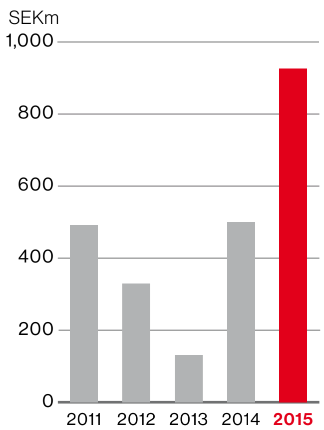
Condensed consolidated cash flow statement

SEKm	2015	2014
Cash flow from operating activities before changes in working capital	697	492
Cash flow from changes in working capital	230	8
Cash flow from operating activities	**927**	**500**
Cash flow from investments in property, plant and equipment and intangible assets	–161	–182
Other cash flow from investing activities	–206	–187
Cash flow from investing activities	**–367**	**–369**
Cash flow from operating activities and investing activities	**560**	**131**
Cash flow from financing activities	**–518**	**–24**
Cash flow for the period	**42**	**107**
Cash and cash equivalents at beginning of period	229	167
Cash flow for the period	42	107
Foreign exchange differences	–25	–45
Cash and cash equivalents at end of period	**246**	**229**

Operating activities

Cash flow from operating activities was SEK 927m (500). Cash flow from operating activities before changes in working capital was SEK 697m (492). The improvement compared to the prior year is mainly the result of an increase in operating profit of SEK 94m, a decrease in interest expenses of SEK 46m and other positive cash flow totalling SEK 65m.

Cash flow from operating activities



Working capital

Cash flow from changes in working capital was SEK 230m (8). Cash flow from changes in working capital is mainly attributable to higher collection of receivables of SEK 225m (–117) that was primarily related to seasonal sales. Inventory levels continued to decrease, which had a positive impact on cash flow of SEK 87m (51). Trade payables declined during the year, which had a negative impact on cash flow of SEK –82m (74).

Investing activities

Cash flow from investing activities was SEK –367m (–369). This was affected by the acquisition of Locawo B.V. for a net amount of SEK –206m. In 2014 Cloetta acquired Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) for SEK –110m and Aran Candy Ltd. for a net amount of SEK –140m, offset by the proceeds from the sale of the property in Gävle for SEK 53m, which were included in cash flow from investing activities. Cash flow from investments in property, plant and equipment and intangible assets was SEK –161m (–182). Cash flow from operating and investing activities was SEK 560m (131).

Financing activities

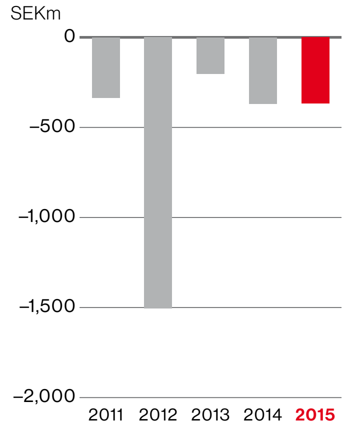
Cash flow from financing activities was SEK –518m (–24). Total repayments of loans amounted to SEK 518m (24).

The net cash flow was SEK 42m (107), which increased cash and cash equivalents to SEK 246m, compared to SEK 229m in the previous year.

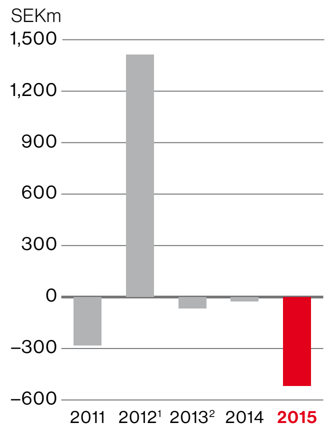
Cash and cash equivalents

Cash and cash equivalents and short-term investments on the balance sheet date amounted to SEK 246m (229). In addition, Cloetta had unutilized overdraft facilities for a total of SEK 699m (478). Cloetta's working capital requirement is exposed to seasonal variations, partly resulting from a buildup 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.

Cash flow from investing activities



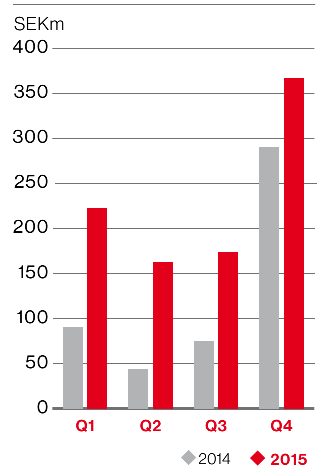
Cash flow from financing activities



1) In 2012, proceeds of SEK 1,056m from a new share issue were received in connection with the merger between Cloetta and Leaf. Furthermroe, loans from credit institutions were renegotiated, which increased borrowings by a net amount of SEK 356m.

2) In 2013 Cloetta issued senior secured notes for SEK 1,000m. The net proceeds were used to repay loans from credit institutions.

Cash flow from operating activities



Future outlook

2015 was a record year for Cloetta. All in all, sales were up by 6.8 per cent. As a result of this sales growth, in combination with lower restructuring costs and good cost control, operating profit reached an all time high of SEK 671m (577).

Goal attainment

The Group's target is an EBIT margin, adjusted, of at least 14 per cent. In 2015 the EBIT margin, adjusted, improved to 12.2 per cent (11.9). For growth, the target is to increase sales organically at a rate at least equal to market growth. Historically, annual growth in the market has been 1–2 per cent. In 2015 Cloetta's organic growth increased by 1.5 per cent (1.0), which is well in line with the market.

Another of the Group's long-term targets is to reduce the net debt/EBITDA ratio to around 2.5x. The net debt/EBITDA ratio decreased in 2015 and was 3.03x (3.97x) at 31 December 2015. Through earnings growth, strong cash flows and repayments of loans, this target is expected to be reached in the new few years.

Profitable growth

The strategy for Cloetta stands firm. The focus in 2016 will be on continued profitable growth, both organic and acquisition-driven, higher efficiency in the supply chain through the Lean 2020 initiative, growth and cost synergies in the acquired companies, new initiatives in pick-and-mix and more efficient internal processes.

In view of the strong cash flow and improved EBITDA in 2015, the Board proposes a dividend before the long-term target for net debt has been met. The ambition is for future cash flows to continue to be used for repayment of debt and share dividends, while also providing financial flexibility for complementary acquisitions. The long-term target of a payout ratio of 40–60 per cent of profit after tax remains unchanged.

Financial outlook

As in earlier years, Cloetta is not communicating any financial outlook for 2016.

Environmental impact and environmental management

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 2015 Cloetta conducted operations at 13 factories in six countries. The two Swedish factories in Ljungsbro 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.

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of areas. Environmental management is 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.

The Group's environmental policy and environmental management are described in more detail on pages 46–47.

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.

Organization 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 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 organization 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 materializing 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 minimize. 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 minimized 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 28, on page 118.

Pages 78–79 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 30 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 financial 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 2015, Cloetta's ten largest customers accounted for around 40 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 globalization, 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 organizations, 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 2015, profit before tax for the year would have been around SEK 150m 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 has evaluated all raw material groups and prioritized them based on the existing sustainability challenges and Cloetta's opportunities to address these challenges. Cloetta purchases Green Palm certificates for palm oil and UTZ-certified cocoa, read more on pages 43–46. 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 optimize efficiency, Cloetta continuously monitors capacity utilization in production. 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 organization 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 minimize 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 minimize 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 28, on pages 118.

	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 minimize the effects of exchange rate fluctuations by utilizing 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 it will not be possible to obtain financing or that financing can be obtained only at a significantly higher cost. Due to the acquisition of LEAF, Cloetta has a relatively high net debt/equity ratio. This high leverage means that Cloetta uses a large share of cash flow for repayment of loans, which limits Cloetta's financial flexibility.	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 analyzes 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. If the interest rate had been 1 percentage point higher/lower in 2015, with all other variables held constant, profit before tax for the year would have been around SEK 30m 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 page 101 and Note 33, Critical accounting estimates and judgements on page 123.

Letter from the Chairman

2015 was a successful year for Cloetta. Sales, profit, cash flow and debt all continued to move in the right direction. In addition, it is satisfying to note that the number of shareholders in Cloetta continued to grow, amounting to 14,164 at the end of the year.

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 clear separation of duties and responsibilities, with well defined rules and processes, we can ensure that the management and employees are focused on developing the company's business and strengthening Cloetta.

Work of the Board

At the 2015 AGM the Board gained two new members who have immersed themselves in the operations in an exemplary manner. Among other things, the work of the Board has been focused on supporting the management in working with profitable growth, an even stronger customer and market focus, the organization and acquisitions. But the perhaps most important task of the Board during the year was the appointment of David Nuutinen as the new President and CEO. It is especially encouraging that after a thorough recruitment process we were able to hire someone from within the Group. This is a credit to the entire organization and the former President and CEO Bengt Baron.

Listed Company of the Year

For the second consecutive 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 companies on the Stockholm Stock Exchange. The award is an important affirmation that Cloetta provides transparent, thorough and engaging communication, a resource that the Board is committed to upholding so that all shareholders are given the opportunity to stay abreast of Cloetta's development.

Strong Cloetta proposes dividend

In the past year Cloetta showed very positive development on most fronts. The efforts to both sharpen the existing operations and integrate newly acquired units have started to bear fruit. This means that Cloetta stands even stronger today, which is clearly demonstrated by the fact that the Board is proposing a dividend for the first time in a long time. Even so, Cloetta has the financial strength to continue investing in both organic and acquisition-driven growth. The year's cash flow was a demonstration of strength and showed that the organization's focus on control of areas like inventories and trade payables had the desired effect.

I have had the privilege of serving as Board Chairman for two years. With an experienced and knowledgeable management and dedicated Board colleagues, it has been interesting and exciting to work, on behalf of all Cloetta shareholders, on increasing the value of the company. I would like to sincerely thank the President, the Group Management Team and all of Cloetta's employees for their many excellent contributions in 2015. Thanks to you, Cloetta is today a financially stable and attractive listed company with its sights set on continued profitable growth.

Stockholm, March 2016

Caroline Sundewall
Board Chairman

Corporate governance report

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 applicable rules. Corporate governance is also aimed at creating order and systems for both the Board and the management. 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 the Mid Cap list of Nasdaq Stockholm. The company is domiciled in Ljungsbro, Linköping, and its head office is in Stockholm.

Framework for corporate governance

Cloetta's corporate governance is regulated by external steering instruments that include the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance, as well as internal steering instruments such as the Articles of Association, instructions, policies and guidelines.

Application of the Swedish Code of Corporate Governance

In 2015 Cloetta complied with the Code with the exception of one deviation. This deviation referred to a period of around four months when the audit committee consisted of only two persons due to the early resignation of one Board member, who was also a member of the audit committee.

Share and shareholders

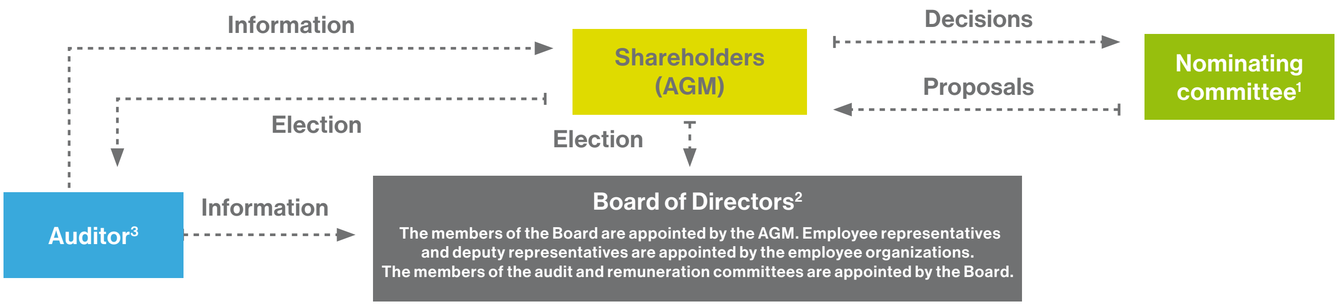
The class B shares in Cloetta AB (publ) have been listed on Nasdaq Stockholm since 16 February 2009 and are traded on the Mid Cap list since 2 July 2012. However, Cloetta was originally introduced on the stock exchange in 1994 and has since then been listed in a number of different owner constellations.

The number of shares at 31 December 2015 was 288,619,299 of which 278,757,685 were of class B and 9,861,614 were of class A. 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.

The number of shareholders at 31 December 2015 was 14,164 (compared to 12,694 at 31 December 2014). On 31 December 2015 AB Malfors Promotor was Cloetta's largest shareholder, with a holding corresponding to 41.5 per cent of the votes and 23.6 per cent of the share capital in the company.

For more information about Cloetta's shares and shareholders, see section on "Share and shareholders" on pages 53–57.

Governance structure



External steering instruments

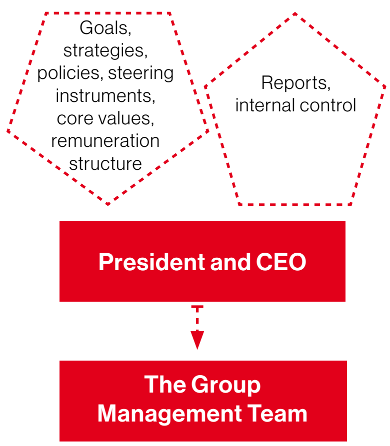
Important external steering instruments that provide the framework for corporate governance are:

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- Nasdaq Stockholm's Rules for Issuers
- The Swedish Code of Corporate Governance

Internal steering instruments

Important binding internal control documents include:

- The Articles of Association
- The Board's work plan
- Instructions for the President, the audit committee, the remuneration committee and financial reporting
- Policies



1 The nominating committee prepares proposals for decision that are presented to the AGM. The AGM decides on principles for appointment of the nominating committee.

2 The Board sets up the committees and appoints their members.

3 The auditor is responsible, on behalf of the shareholders, for reviewing Cloetta's annual report, accounts and the administration of the Board of Directors and the President. Reports to the Board of Directors and the shareholders.

General meeting of shareholders

The general meeting of shareholders is Cloetta'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 of the 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.

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.

2015 AGM

The latest AGM was held on 23 April 2015 in Stockholm. The AGM was attended by 199 individuals representing 63.9 per cent of the votes in the company. The President, all Board members aside from one, the company's independent auditor, the chairman of the nominating committee, the company's CFO and SVP Corporate Communications were also present at the AGM. The AGM approved the proposals of the Board and the nominating committee regarding:

- Adoption of the balance sheet and the profit and loss account;
- That no dividend should be paid;
- Discharge from liability for the Board of Directors and President;
- That the number of Board members elected by the AGM should be six, with no deputies;
- Re-election of sitting Board members Adriaan Nühn, Mikael Svenfelt, Olof Svenfelt and Caroline Sundewall. Lottie Knutson and Mikael Norman were elected as new Board members. The AGM elected Caroline Sundewall as Chairman of the Board. Former Board member Ann Carlsson resigned in connection with the AGM. Aside from the members elected by the AGM, the employee organization LIVS appointed an employee representative and a deputy representative to the Board;
- Board fees were set at SEK 610,000 for the Board Chairman and SEK 280,000 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 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;
- The introduction of a share-based long-term incentive plan. The complete minutes from the AGM can be viewed at www.cloetta.com.

2016 AGM

The 2016 AGM will be held on Tuesday, 12 April 2016, at 4:00 p.m. at Norra Latin, Barnhusgatan 7b in Stockholm. The Notice of the Annual General Meeting will be published in March 2016 and will contain the Board's proposals. For more information, see section on "Annual General Meeting" on page 145 and www.cloetta.com.

Nominating committee

Work of the nominating committee

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.

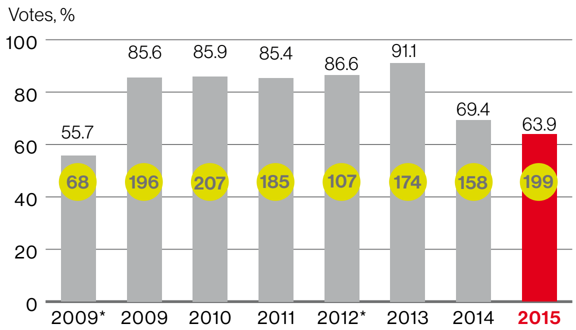
The Board Chairman presents an annual evaluation of the Board's activities during the year to the nominating committee, which provides a basis for the nominating committee's work together with the provisions in the Swedish Code of Corporate Governance and Cloetta's own company-specific requirements.

The nominating committee's recommendations for election of Board members, Board fees and auditors are presented in the notice to attend the AGM and www.cloetta.com.

Composition of the 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 and three shall be members appointed by the three largest shareholders in terms of voting power. The members thus appointed may themselves appoint one additional member.

Attendance at AGMs/EGMs



● No. of people (shareholders, proxies, assistants and guests)
* Extraordinary general meetings

Nominating committee ahead of the 2016 AGM

Member	Appointed by	Independent[1]	Share of votes at 31 Dec. 2015, %
Christer Wagenius, Chairman	AB Malfors Promotor	Yes/No	41.5%
Lars Åke Bokenberger	AMF Försäkring & Fonder	Yes/Yes	5.2%
Pehr-Olof Malmström	Danske Capital	Yes/Yes	1.8%
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

Independence of the nominating committee

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 also be independent in relation to the company's largest shareholder in terms of voting power. 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.

Shareholder proposals

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.

Meetings of the nominating committee

The nominating committee ahead of the 2016 AGM has held seven meetings. No fees have been paid for work on the committee.

Board of Directors

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders, appoint the President 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 governance over the subsidiaries and 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.

Composition of the Board

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 23 April 2015 resolved that the Board shall have six members appointed by the AGM.

To serve for the period until the end of the next AGM, to be held on 12 April 2016, the AGM on 23 April 2015 elected Board members Caroline Sundewall (Chairman), Lottie Knutson, Mikael Norman, Adriaan Nühn, Mikael Svenfelt and Olof Svenfelt. In addition, the employee organization LIVS appointed one employee representative to the Board, Lena Grönedal, and one deputy representative, Shahram Nikpour Badr. All Board members have attended Nasdaq's stock market training course for board and management. The average age of the Board members elected by the AGM was 58 at year-end 2015, and two of the six are women. For information about the Board members' assignments outside the Group and holdings of shares in Cloetta, see pages 80–81.

Independence of the Board

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.

The Board's instructions and policies

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, Mergers and acquisitions and policy for Fraud and whistleblower.

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 2015 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 meetings

In 2015 the Board held nine scheduled meetings, of which one statutory meeting, and two extra meetings. The President and the CFO, who is also the Board secretary, take part in the Board's meetings. Other executives take part as needed as rapporteurs for special items of business.

Board committees

Audit committee

According to the Swedish Code of Corporate Governance, the audit committee shall consists 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 2015 the Board audit committee consisted of members Mikael Norman (chairman), Caroline Sundewall and Olof Svenfelt.

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

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
- Policy for internal control
- IT security policy
- Mergers and acquisitions policy
- Fraud and whistleblower policy

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.

The audit committee shall meet at least four times every financial year. Once a year, the committee shall meet without the presence of any member of the management team. The audit committee shall inform the Board about the matters dealt with by the committee. In 2015 the committee held five 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 2015 the committee held seven meetings.

Board Chairman

The Board Chairman shall be elected by the general meeting of shareholders, and the AGM on 23 April 2015 re-elected Caroline Sundewall as 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 organized 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.

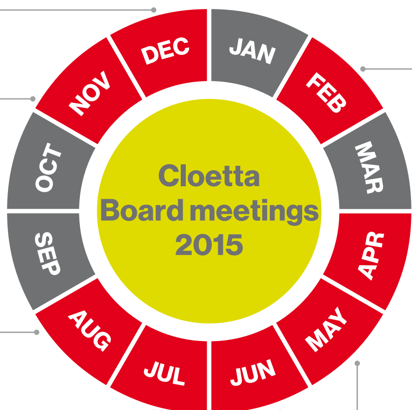
President and Group Management Team

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.

David Nuutinen has been President of Cloetta since 20 July 2015, when Bengt Baron resigned at his own request. 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 President Operations (which includes purchasing and production) and the five head 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 82–83.

Board meetings in 2015



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, Board evaluation, business strategy, production structure.

Extra Board meeting; decision to consider closure of the factory in Dieren, the Netherlands.

AUGUST

Scheduled Board meeting; strategy for supply chain, review of the Finnish market.

JULY

Scheduled Board meeting; interim report for the period from January to June, decision on the acquisition of Lonka.

JUNE

Scheduled Board meeting; visit to Cloetta's office in Malmö, review of the Scandinavian operations, IT strategy and digital media.

FEBRUARY

Scheduled Board meeting; year-end report, annual report, matters ahead of the AGM, report from the auditor, incentive schemes.

APRIL

Scheduled Board meeting; interim report for the period from January to March.

Annual General Meeting

Statutory meeting; decision on authorized signatories, adoption of instructions and policies, election of the remuneration committee and audit committee, appointment of a board representative to the nominating committee, decision on dates and locations for the upcoming scheduled Board meetings, the AGM and reporting dates.

Per capsulam; decision on shareholder contribution to Cloetta Sverige AB.

MAY

Extra Board meeting; decision on new President and CEO.

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 matters.

The Group Management Team conducts management meetings at regular intervals and held ten meetings in 2015. 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.

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 23 April 2015 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. Authorized Public Accountant Tomas Forslund is Auditor in Charge.

Tomas Forslund
Auditor in Charge.

Auditor for the company since 2015.
Born in: 1965.
Authorized Public Accountant KPMG AB.
Previous auditing assignments: ICA-gruppen, Kinnevik, Systemair, DGC, Tradedoubler, Feelgood

Press releases 2015
Summary

February
- Nominating committee's proposal regarding the Board of Directors
- 2014 Year-end report

March
- 2014 Annual report
- Notice of the 2015 Annual General Meeting

April
- Cloetta awarded "Best IR Website 2014"
- Interim report January-March 2015
- Communiqué from the 2015 AGM

May
- David Nuutinen appointed as new President and CEO
- Ville Perho appointed as new President of Cloetta Finland

July
- Cloetta acquires Lonka
- Interim report January-June 2015

August
- Nominating committee appointed ahead of the 2016 AGM

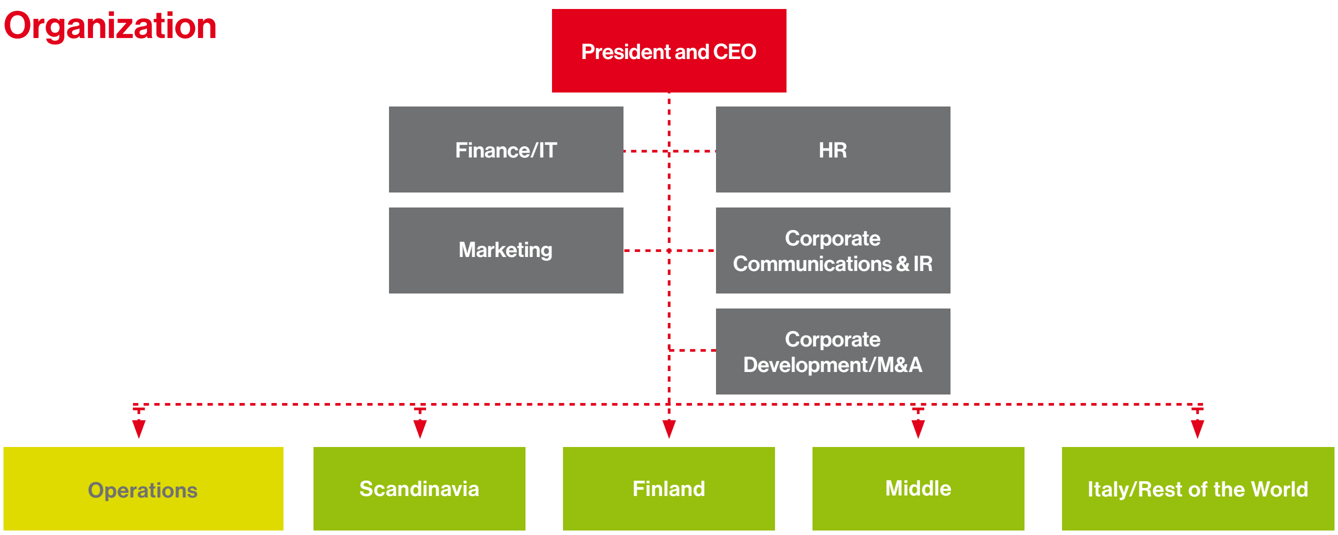
September
- Cloetta awarded "Listed Company of the Year" for the second consecutive year

November
- Interim report January-September 2015
- Cloetta considers closure of factory in Dieren

Financial reporting

The Board of Directors is responsible for ensuring that the company's organization 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.

Organization



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 judgments 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:

- Interim reports
- Annual report
- Press releases about important news that is assess 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 and interim reports
- Meetings with financial analysts and investors

Organization for sustainability work

The overall strategies for Cloetta's corporate responsibility work are adopted by the Group Management Team and are controlled and monitored through business planning processes at several levels in the company. Ultimate responsibility for corporate responsibility matters lies with Cloetta's President.

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 prioritized 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.

Awards for financial communication

Aktiespararna and Kanton's Listed Company of the Year competition

In the autumn of 2015, for the second consecutive year, Cloetta was the overall winner in the Listed Company of the Year competition following wins in the sub-categories Best IR Website and Best Annual Report and a prominent placing in the sub-category Best Interim Report.

The annual Listed Company of the Year competition, which is arranged by Kanton in association with the head sponsor Aktiespararna, among others, is aimed at promoting exemplary financial communication among listed companies and is Sweden's largest competition in financial communications and the most comprehensive competition in investor relations. The competition consists of three sub-competitions in which the annual reports, interim reports and IR websites of all companies with a primary listing on Nasdaq Stockholm are reviewed.

The motivation for Best Annual Report: "A shared first place in the Best Annual Report competition is the reward for the rich content of Cloetta's 2014 annual report. Transparent reporting and pride in the brand, products and operations characterizes the annual report of one of Sweden's most distinguished listed companies."

The motivation for Best IR website: "For the second consecutive year, Cloetta is the overall winner in the Best IR Website competition, with 31.5 point of 33 possible. The website is user-friendly and the visitor is given a good overview of the content already on the home page. Cloetta's detailed description of the market and its characteristic qualities and the corporate responsibility section stand out as particularly exemplary content."

Webranking by Comprend

Cloetta reached sixth place in Comprend's Webranking survey among Sweden's 100 largest listed companies. Webranking by Comprend is Europe's leading survey of corporate websites and the only global ranking that is based on stakeholder demands. Every year, Comprend ranks the digital corporate communications of 900 companies around the world, measuring how well they meet the expectations of their key stakeholders – analysts, investors, business journalists and job seekers.

Finforum's Best Reporting competition

In Finforum's Best Reporting competition, Cloetta placed among the top Mid Cap companies on Nasdaq Stockholm with the following commendation: "Cloetta is one of the companies with the best total information package when it comes to web, interim and annual reporting."

This competition is arranged by FAR, Nasdaq Stockholm, the Swedish Public Relations Association and the Swedish Society of Financial Analysts (SFF), and includes all companies listed on Nasdaq Stockholm, with the aim of inspiring companies to improve and develop their external financial information. Every year, a jury of external experts reviews the companies' annual reports.

Additional information

At www.cloetta.com, information such as the following can be found: the Articles of Association, the Code of Conduct, information from previous AGMs and corporate governance reports from previous years.

Remuneration to Group Management

Guidelines for remuneration to Group Management

The current guidelines for remuneration to Group Management were adopted by the AGM in 2015. The total remuneration shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. In addition to base salary, remuneration to the President, other members of the Group Management Team and other executives reporting directly to the President can include:

- Variable cash salary, linked to predetermined and measurable individual criteria. Is structured so that an annual bonus equal to 40–100 per cent of basic annual salary may be payable on the attainment of certain extraordinary financial targets.
- Variable share-based long-term salary, is resolved on yearly by the AGM and is aimed at increasing the value for the Group's shareholders by promoting and upholding the senior management's commitment to the Group's development, and thereby aligning the interests of the shareholders with those of the Group Management Team and other key employees in order to ensure maximum long-term value creation.
- Other benefits, consist mainly of company car benefits.
- Pension benefits, vary depending on the agreements and practices in the country where the individual is employed. Defined contribution plans are strived for, which means that pension benefits most often consist of defined contribution plans for which annual premiums are paid as a percentage of pension-qualifying salary up to the age of retirement. In almost all cases, variable salary and benefits are not pension-qualifying. The retirement age is not less than 60 years and not more than 67 years.

The Board has the right to deviate from these principles in individual cases where there is special reason to do so.

Termination benefits

Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any termination benefits may not exceed on fixed annual salary. The company shall preferably have defined contribution pension plans. 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.

President

The President has the right to variable cash salary corresponding to no more than 100 per cent of base salary on the attainment of extraordinary targets.

The retirement age is 65 years. The pension terms consist of a defined contribution plan for which annual premiums are paid up to the age or retirement in an amount corresponding to 30 per cent of pension-qualifying salary, consisting of basic monthly salary. Variable salary and benefits are not pension-qualifying.

The President has a notice period of six months. Upon termination on the part of the company, the notice period is 12 months.

The President is also entitled to termination benefits corresponding to 12 months base salary.

Remuneration in 2015

Total remuneration to the Group Management Team including the President in 2015 amounted to SEK 52,355 thousand (44,041) including pension benefits and SEK 45,623 thousand (37,714) excluding pension benefits. Provisions of SEK 590 thousand previously made for the outgoing President in the share-based long-term incentive plan were dissolved in 2015.

Share-based long-term incentive plan for senior executives

The Annual General Meetings in 2013, 2014 and 2015 approved the Board's proposal to implement a share-based long-term incentive plan that aligns the interests of the shareholders with those of the Group Management and other key employees in order to ensure maximum long-term value creation.

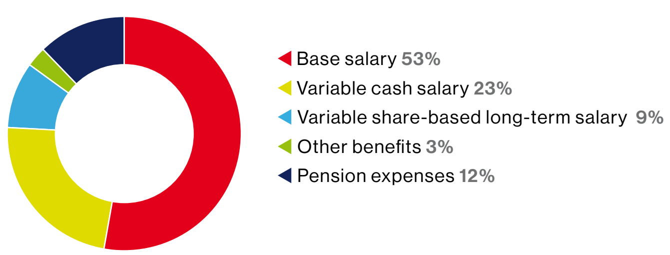
A personal shareholding in Cloetta is required for all participants.

Share-based long-term incentive plan, participation

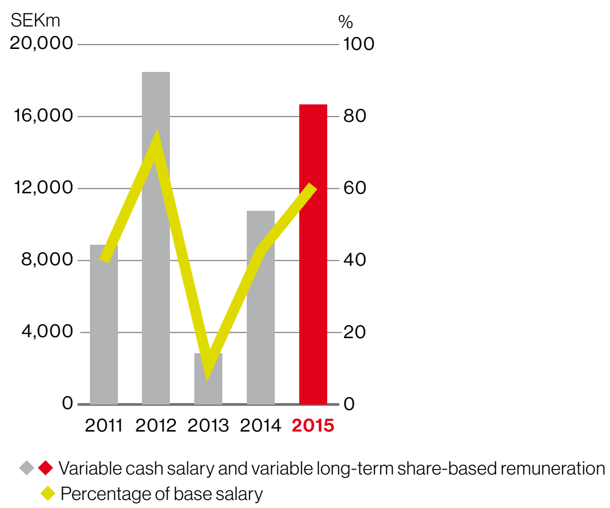
	2013 (LTI 2013)	2014 (LTI 2014)	2015 (LTI 2015)
No. offered the opportunity to participate	68	66	74
No. who chose to participate	45	49	46

See Notes 24, 29 and 31 for more information about share-based payment.

Remuneration to Group Management incl. the President, 2015



Total variable remuneration to Group Management incl. the President and outcome as a % of base salary



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 decision by the Board regarding remuneration principles, remuneration levels and other terms of employment for the Group Management Team. The recommendations have included the proportional distribution between basic and variable salary and the size of any salary increases. Furthermore, the remuneration committee has discussed pension terms and termination benefits.

The remuneration committee is also entrusted with the task of monitoring and evaluating programmes for variable remuneration to the Group Management Team, application of the guidelines for remuneration adopted by the AGM and the current remuneration structures and remuneration levels in the company. Pursuant to paragraph 9.1, points 2 and 3, of the Swedish Code of Corporate Governance, the Board hereby presents the following report on the results of the remuneration committee's evaluation:

The variable salary that is payable according to the guidelines is linked to both the individual's responsibility for results and the Group's profitability targets, which contributes to value growth for the company's shareholders.

Market surveys are conducted regularly with respect to salary statistics, remuneration structures and levels for variable remuneration. The remuneration committee considers Cloetta's remuneration structures and remuneration levels have allowed Cloetta to recruit and retain the right personnel to the Executive Management.

Remuneration to the President for the financial year 2015 has been determined by the Board. Remuneration to other senior executives has been determined by the President. Since the 2015 AGM, the remuneration committee has met on five occasions. The proposed guidelines for remuneration to Group Management in 2016 that will be presented by the Board to the 2016 AGM for approval are identical to the current guidelines.

Remuneration cost incurred for the Group Management

2015	Base salary	Variable remuneration incurred in the year, expected to be paid in the next year	Variable share-based long-term	Other benefits	Subtotal	Pension costs	Total	Pension obligation
Bengt Baron, President[1]	3,908	–	–590[3]	73	3,391	820	4,211	7,007
David Nuutinen, President[2]	1,744	961	473	104	3,282	–	3,282	–
Other Group Management, 10 persons	21,654	11,203	4,618	1,475	38,950	5,912	44,862	4,721
Total	27,306	12,164	4,501	1,652	45,623	6,732	52,355	11,728
Of which, in the Parent Company	14,701	7,757	1,929	590	24,977	3,204	28,181	11,373
2014								
Bengt Baron, President	4,680	0	2,547	121	7,348	1,402	8,750	6,129
Other Group Management, 10 persons	20,466	0	8,204	1,696	30,366	4,925	35,291	3,542
Total	25,146	0	10,751	1,817	37,714	6,327	44,041	9,671
Of which, in the Parent Company	12,715	–	6,485	517	19,717	3,696	23,413	9,671

1) Resigned on 20 July 2015.
2) Appointed as per 20 July 2015.
3) Refers to the release of the share-based long-term incentive plans for 2013 and 2014. The release is non-cash in nature.

Internal control over financial reporting

Cloetta applies the Committee of Sponsoring Organizations of the Treadway Commission (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 realization 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 authorization, 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 organization 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 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

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

Process for financial reporting

Monthly

Collection of information
Local units report monthly according to an established time-frame in compliance with the applicable laws, regulations and accounting practices and the Group's accounting manual.

Controls
The group reporting system contains embedded controls. In addition, the central finance team carries out analytical controls as well controls of completeness and reasonability.

Processing and consolidation
Any corrections are implemented in dialogue with the affected parties. Reconciliation occurs.

Reporting
Reporting of operative and financial information to the Board of Directors and the executive management.

Quarterly

Audit committee
The auditor attends every quarterly meeting, and in conjunction with the third quarter interim report and the annual account, a special meeting is held with Cloetta's auditor. Possible actions are carried out owing to the audit report.

External reporting
Cloetta publicly discloses its interim and year-end reports through press releases and publication on the company's website.

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 organization and in all functions. They include a range of activities as diverse as approvals, authorizations, 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.

Reporting routines

An effective system for internal control demands sufficient, up-to-date and reliable information of both a financial and non-financial nature about both internal and external events. As far as possible, management reporting is directly linked to the financial reporting and the consolidation tool.

All business units report their financial results monthly, presented according to the Group's accounting policies. This reporting serves as a basis for quarterly reports and monthly legal and operating reviews. The operating reviews are carried out according to a structure in which sales, earnings, cash flow and other key ratios and trends of importance to the Group are compiled and form a basis for analysis and action by the management and controllers at different levels. Other important and group-wide components of internal control are the annual business planning process and the monthly and quarterly forecasts.

To ensure the efficiency of internal control over financial reporting, reviews are carried out by the Board, the audit committee, the President, the Group Management Team, the central finance and treasury team and the Group's various subsidiaries. Every month, financial reports are reviewed against budget and established targets, and the results of self-assessments in the Group's companies are reported. This review also includes follow-up of observations that are reported by Cloetta's auditor.

The company's financial situation is discussed at each Board meeting. The Board's audit committee has important monitoring and control duties with regard to loans, investments, financial management, financial reporting and internal control. The audit committee and Board of Directors review all interim reports and the annual report prior to publication. In addition, the audit committee receives regular reports from the independent auditor. The audit committee follows up all measures that are taken to improve or change the controls.

Communication

Internal communication

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

External communication

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

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

Evaluation of the need for a separate internal audit function

There is currently no internal audit function at Cloetta. The Board has reviewed this matter and determined that the existing structures for monitoring and evaluation provide a satisfactory basis for control. For certain special audit activities, 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 in: 2014
Born in: 1958
Nationality: Swedish
Education: M.Sc. in Business Economics, Stockholm School of Economics.

Other assignments:
Board member of Hemfosa, Cramo, Elanders and Mertzig Asset Management. Chairman 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:
She has previously worked on the board of Lifco, Södra Skogsägarna, Svolder, TeliaSonera, Electrolux, Haldex, Pågen and Ahlsell. She has also worked for banks in Stockholm and London, as a business journalist at Dagens Industri and Affärsvärlden, as 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: –

Lottie Knutson
Board member

Elected in: 2015
Born in: 1964
Nationality: Swedish
Education: School of Journalism, Stockholm University, L'Université Paris IV, Diplôme de culture Francaise.

Other assignments: Board member of H&M, Scandic Hotels, Stena Line, STS Alpresor, Swedavia and Wise Group. She is active as a writer and advisor in the areas of marketing, change and crisis management.

Previous assignments: She has previously worked as Director of Communications at Fritidsresor Group for the Nordic countries, in the SAS Group's communications department, as a journalist at Svenska Dagbladet and as a communications consultant, at JKL, among others.

Independent:
in relation to major shareholders: Yes
in relation to the company and management: Yes

Shareholding
Direct: 1,200 class B shares
Related parties: –

Mikael Norman
Board member
Chairman of the audit committee

Elected in: 2015
Born in 1958
Nationality: Swedish
Education: Bachelor of Laws, Stockholm University.

Other assignments: Chief Financial Office (CFO) at Nobia.

Previous assignments: He has previously worked as Group Controller at Electrolux, as a tax lawyer at Price Waterhouse and as a judge at the Administrative Court and the Administrative Court of Appeals in Stockholm.

Independent:
in relation to major shareholders: Yes
in relation to the company and management: Yes

Shareholding
Direct: 5,000 class B shares
Related parties: –

Adriaan Nühn
Board member
Member of the remuneration committee

Elected in: 2012
Born in: 1953
Nationality: Dutch

Education:
MBA, University of Puget Sound, Tacoma, Washington, USA and B.A. in Business Administration, Hogere Economische School, Eindhoven, the Netherlands.

Other assignments:
Chairman of Sligro Food Group N.V. and Plukon Foodgroup N.V. Board member of Kuoni AG, Anglovaal Industries Ltd., WWF the Netherlands and HG International B.V.

Previous assignments:
CEO and chairman of Sara Lee International and has held a number of assignments within 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: –

Composition of the Board

				Fees[1]			Attendance[3]		
Elected by the AGM[1]	Nationality	Year elected	Born in	Board fees	Committee fees	Independent[2]	Board meetings	Audit committee	Remuneration committee
Chairman									
Caroline Sundewall	Swedish	2014	1958	610,000	150,000	Yes/Yes	11/11	5/5	5/5
Member									
Lottie Knutson	Swedish	2015	1964	280,000	–	Yes/Yes	9/11		
Mikael Norman	Swedish	2015	1958	280,000	100,000	Yes/Yes	11/11	5/5	
Adriaan Nühn	Dutch	2012	1953	280,000	50,000	Yes/Yes	10/11		5/5
Mikael Svenfelt	Swedish	2008	1966	280,000	50,000	Yes/No	11/11		5/5
Olof Svenfelt	Swedish	2008	1941	280,000	100,000	Yes/No	11/11	5/5	

1) The fees refer to set amounts during the period from the AGM on 23 April 2015 until the AGM on 12 April 2016. Board fees shall be paid in an amount of SEK 610,000 the Board Chairman and SEK 280,000 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 23 April 2015 until the publication of this annual report in March 2016.

Mikael Svenfelt
Board member
Member of the remuneration committee

Elected in: 2008
Born in: 1966
Nationality: Swedish

Education:
Marketing and business economist, Tibbleskolan and law studies, Folkuniversitetet.
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.
Previous assignments:
Senior positions in Nicator Group, Dell Financial Services, GE Capital Equipment Finance AB and Rollox 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 in: 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 and Georg Hultners Stiftelse.
Previous assignments:
Board Chairman of Cloetta AB (publ) and Deputy Chairman of Cloetta Fazer AB. Board member of Stiftelsen Hagdahlsakademien and Wilhelm Stenhammars Stiftelse.
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 58,375,659 class B shares.

Employee board member

Lena Grönedal
Employee board member, Swedish Food Workers' Union (LIVS)
Elected in: 2008
Born in: 1962
Nationality: Swedish

Position:
Factory operative, Cloetta Sverige AB.
Shareholding
Direct: –
Related parties: –

Deputy employee board member

Shahram Nikpour Badr
Deputy employee board member, Swedish Food Workers' Union (LIVS)
Elected in: 2013
Born in: 1963
Nationality: Swedish

Position:
Factory operative, Cloetta Sverige AB.
Shareholding
Direct: –
Related parties: –

Shareholding at 31 December 2015.

Group Management Team

David Nuutinen
President and CEO since 20 July 2015.

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 Holding Oy.
Previous assignments/positions:
President of Cloetta Finland, 2012–2015, 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 McDonald's 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, DNA Oy and Splizzeria Oy.
Shareholding
Direct: 22.578 class B shares.
Related parties: –

Giorgio Boggero
President of Cloetta 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. Senior Advisor at Centromarca.
Previous 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'Oréal Italy, 2004–2006, Marketing and Category Manager for L'Oréal Italy, 2002–2004. Several positions in marketing and sales for L'Oréal and Kimberly Clark in Italy and France, 1994–2002.
Shareholding
Direct: 14.835 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 positions:
SVP Corporate Communications at Leaf, 2010–2012, Vice President Corporate Communications at TeliaSonera, 2008–2010, Senior Vice President Corporate Affairs and Communications 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: 26,677 class B shares.
Related parties: –

Regina Ekström
Senior Vice President Human Resources since 1 January 2015.

Employed by Leaf since 2004.
Born in: 1963
Nationality: Swedish

Education:
B.Sc. in Business Administration and Economics, Lund University.
Other assignments: Board member of Livsmedelsföretagen.
Previous 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 UK, 1987–1995.
Shareholding
Direct: 12,962 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: 17,727 class B shares.
Related parties: –

Ewald Frénay
President Cloetta 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: 24,020 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 Swedish Match AB.
Previous assignments/positions:
Board member of Cederroth Intressenter AB, 2010–2015, 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: 19,803 class B shares.
Related parties: –

Danko Maras
Chief Financial Officer
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 and Chief Operating Officer 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, 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.
Shareholding
Direct: 170,788 class B shares.
Related parties: –

Ville Perho
President of Cloetta Finland
since 20 July 2015.

Employed by Leaf since 2004.
Born in: 1979
Nationality: Finnish

Education:
M.Sc. Turku School of Economics, Finland.
Other assignments:
Co-owner and board member of Varastoaura Oy.
Previous assignments/positions:
Sales Director Cloetta Finland, 2010–2015, Category Development Manager at Leaf, 2004–2010, Global Account Manager Lidl at Leaf, 2007–2009.
Shareholding
Direct: 13,779 class B shares.
Related parties: –

Lars Påhlson
President of Cloetta 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 member of DLF Serviceaktiebolag, Abdon Mills gruppen, GS1 Sweden AB and Clear On AB.
Previous positions:
President Scandinavia at Leaf, 2008–2012, President of Campbells Nordic, 2005– 2008, Senior Vice President of Carlsberg Nordic, 2001–2005, Managing Director of Falcon Brewery, 1998–2001, Vice President Nestlé Nordic Findus, 1996-1998, Marketing Director Nestlé Sweden, 1994–1996, various positions in marketing and sales at Nestlé Sweden and Nestlé Switzerland, 1982–1994.
Shareholding
Direct: 45,015 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 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: 17,547 class B shares.
Related parties: –

Shareholding at 31 December 2015.

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Consolidated profit and loss account

SEKm	Note	2015	2014
Net sales	2	5,674	5,313
Cost of goods sold	4	–3,463	–3,325
Gross profit		**2,211**	**1,988**
Other income	2	0	5
Selling expenses	4	–949	–892
General and administrative expenses	4	–591	–524
Operating profit		**671**	**577**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	9	–1	–11
Other financial income	9	6	4
Other financial expenses	9	–183	–232
Net financial items		**–178**	**–239**
Profit before tax		**493**	**338**
Income tax	10	–107	–96
Profit for the year		**386**	**242**
Profit for the period attributable to:			
Owners of the Parent Company		386	242
Earnings per share, SEK			
Basic[1]	20	1.35	0.84
Diluted[1]	20	1.35	0.84
Number of shares at end of period	20	288,619,299	288,619,299
Average number of shares (basic)[1]	20	286,290,840	286,987,990
Average number of shares (diluted)[1]	20	286,561,607	287,092,780

1) Cloetta has entered into long-term forward contracts to repurchase own shares in order to fulfill 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 contracts to repurchase own shares.
The contracts cover a total of 2,567,610 (2,137,610) shares. One contract covers 937,610 (937,610) shares for an amount of SEK 18.50678 (18.50678) per share, one contract covers 1,200,000 (1,200,000) shares for an amount of SEK 23.00000 (23.00000) per share and the last contract covers 430,000 (–) shares for an amount of SEK 26.40000 (–) per share.

Consolidated statement of comprehensive income

SEKm	2015	2014
Profit for the year	**386**	**242**
Other comprehensive income		
Remeasurements of defined benefit pension plans	127	–146
Income tax on other comprehensive income that subsequently will not be reclassified to profit or loss for the period	–28	33
Items that will never be reclassified to profit or loss for the period	**99**	**–113**
Currency translation differences	–124	232
Hedge of a net investment in a foreign operation	25	–47
Income tax on other comprehensive income that will be reclassified subsequently to profit or loss for the period, when specific conditions are met	–5	10
Items that are or may be reclassified to profit or loss for the period	**–104**	**195**
Total other comprehensive income	**–5**	**82**
Total comprehensive income, net of tax	**381**	**324**
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	381	324

Consolidated balance sheet

SEKm	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	11	5,948	5,882
Property, plant and equipment	12	1,698	1,667
Deferred tax asset	13	64	84
Other financial assets	14	27	105
Total non-current assets		**7,737**	**7,738**
Current assets			
Inventories	15	786	853
Trade and other receivables	16	975	1,121
Current income tax assets	13	3	3
Derivative financial instruments	22	1	2
Cash and cash equivalents	17	246	229
Total current assets		**2,011**	**2,208**
Assets held for sale	18	11	16
Total assets		**9,759**	**9,962**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,443	1,443
Other paid-in capital	19	4,124	4,124
Translation difference reserve	19	141	268
Retained earnings including profit for the year	19	–1,364	–1,787
Equity attributable to owners of the Parent Company		**4,344**	**4,048**
Non-current liabilities			
Long-term borrowings	21	2,612	2,993
Deferred tax liability	13	621	483
Derivative financial instruments	22	44	56
Other non-current liabilities	23	43	147
Provisions for pensions and other long-term employee benefits	24	378	505
Provisions	25	10	16
Total non-current liabilities		**3,708**	**4,200**
Current liabilities			
Short-term borrowings	21	344	423
Derivative financial instruments	22	35	16
Trade and other payables	26	1,216	1,152
Provisions	25	57	65
Current income tax liabilities	13	55	58
Total current liabilities		**1,707**	**1,714**
TOTAL EQUITY AND LIABILITIES		**9,759**	**9,962**
Contingent liabilities	30	41	52

For the pledged assets, see Note 21 regarding borrowings.

Consolidated statement of changes in equity

SEKm	Share capital	Other paid-in capital	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2014	**1,443**	**4,124**	**36**	**–1,856**	**3,747**
Comprehensive income					
Profit for the year	–	–	–	242	242
Other comprehensive income	–	–	232	–150	82
Total comprehensive income for 2014	**–**	**–**	**232**	**92**	**324**
Transactions with owners					
Forward contracts 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**
Comprehensive income					
Profit for the year	–	–	–	386	386
Other comprehensive income	–	–	–124	119	–5
Total comprehensive income for 2015	**–**	**–**	**–124**	**505**	**381**
Transactions with owners					
Reversal of capital contribution[1]	–	–	–3	–81	–84
Forward contracts to repurchase own shares	–	–	–	–12	–12
Share-based payments	–	–	–	11	11
Total transactions with owners	**–**	**–**	**–3**	**–82**	**–85**
Balance at 31 December 2015	**1,443**	**4,124**	**141**	**–1,364**	**4,344**

1) Reversal of capital contribution relates to the derecognition of the tax indemnity receivable. This reversal is non-cash in nature.

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

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

Consolidated cash flow statement

SEKm	Note	2015	2014
Operating profit		**671**	**577**
Adjustments for non-cash items			
Amortization/depreciation and impairment of assets	3, 18	236	203
Provisions for pensions		–11	–19
Other provisions and other non-current liabilities		–40	–40
Interest received		1	2
Interest paid		–114	–172
Proceeds on derivative financial instruments		–19	–8
Income tax paid		–27	–51
Cash flow from operating activities before changes in working capital		**697**	**492**
Cash flow from changes in working capital			
Change in inventories		87	51
Change in trade and other receivables		225	–117
Change in trade and other payables		–82	74
Cash flow from operating activities		**927**	**500**
Investing activities			
Acquisition of subsidiaries		–206	–249
Investments in property, plant and equipment		–138	–119
Investments in intangible assets		–23	–63
Disposals of property, plant and equipment		–	62
Cash flow from investing activities		**–367**	**–369**
Cash flow from operating and investing activities		**560**	**131**
Financing activities			
Repayment of borrowings		–518	–154
Proceeds from borrowings		–	130
Cash flow from financing activities		**–518**	**–24**
Cash flow for the year		**42**	**107**
Cash and cash equivalents at beginning of year	17	**229**	**167**
Cash flow for the year		42	107
Exchange difference		–25	–45
Cash and cash equivalents at end of year	17	**246**	**229**

Notes to the consolidated financial statements

Note 1 General information and accounting and valuation policies of the Group

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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.

Financial year

The consolidated financial statements for the financial year from 1 January to 31 December 2015 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 9 March 2016. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the Annual General Meeting on 12 April 2016 for adoption.

Disclosures regarding changes in group structure

Incorporations

- On 23 May 2014 Cloetta Holland B.V. incorporated Cloetta Ireland Holding Ltd.

Business combinations

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 27 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 dividends as well as 100 per cent of the voting rights. The Irish candy company Aran Candy Ltd. owns the brand The Jelly Bean Factory.

See Note 27 for further information.

Acquisition of Locawo B.V.

On 17 July 2015 Cloetta Holland B.V. (a 100 per cent direct participation of Cloetta AB (publ)) acquired 100 per cent of the shares of the Dutch candy company Locawo B.V. and its subsidiaries, which owns the brand Lonka.

See Note 27 for further information.

Mergers

- On 1 September 2014 Saila S.p.A. merged into Cloetta Italia S.r.l.
- On 23 December 2014 AB Karamellpojkarna merged into Cloetta Produktion Sverige AB.
- On 12 February 2015 Leaf Sweden IP AB merged into Cloetta Sverige AB.
- On 31 March 2015 Cloetta Produktion Sverige AB merged into Cloetta Sverige AB.

Liquidations

- On 28 April 2014 Albisol Education & Conference Ltd. was liquidated. See Note P8 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 2015. 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:

- sales, marketing and production of branded sugar and chocolate confectionery products, pastilles, chewing gum and nuts, and
- trading of sugar and chocolate confectionery products, pastilles, chewing gum and nuts.

The countries of the European Union and Norway form the most important markets.

Basis of presentation

Assets and liabilities are recognized 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 33 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 in 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 homogeneous production processes in the different production facilities throughout the Group regardless of their location. The Group has sales mainly in the "Munchy Moments" segment, with comparable markets and customers. The Group has an integrated distribution network and supply chain organization. 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 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 Cloetta 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 consolidated without non-controlling interest from the date on which control is transferred to Cloetta AB (publ). Group companies are deconsolidated from the date that control ceases.

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 recognizes 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 recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is realized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in other comprehensive income are reclassified to the profit and loss account.

Note P8 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 recognized in assets are also eliminated.

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.

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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 recognized 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.

The Group applies hedge accounting. 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. 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 recognized in other comprehensive income and accumulated in the translation reserve. Any remaining differences are recognized in the profit and loss account within exchange differences on borrowings and cash and cash equivalents in foreign currencies. 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 and recognized in profit and loss account on the same line where the gain or loss of the disposal is accounted for.

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 recognized 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, recognized in other comprehensive income is reclassified from equity to the profit and loss account on the same line where the gain or loss of the disposal is accounted for.

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 recognized 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 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 recognized in other comprehensive income.

When a foreign operation is sold, unrealized exchange differences deferred in currency translation adjustments after 1 January 2006 (first-time adoption of IFRS) are brought back 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 34, 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	One-off 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 recognized as follows:

- Sales of goods are recognized 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 utilization 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 subsidized deficits are recorded. Grants and subsidies are recognized 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 recognized in other income in the profit and loss account when incurred.

Discontinuation fees received on cancellation of third-party distribution agreements are recognized 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 amortization of related intangible assets. The company promotes its products through advertising, consumer incentives and trade promotions. 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 amortization of related intangible assets. General and administrative expenses are expensed as incurred.

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 recognized 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 cost of 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 security expenses, is recognized 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 recognized using the effective interest method.

VIII *Income tax*

The income tax expense for the period comprises current and deferred tax and is recognized 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 profits and losses and/or temporary differences arising from applicable local tax laws and other factors that affect the tax rate (e.g. changes in valuation allowances, adjustments in tax positions changes in tax law, such as changed tax rates).

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*

Dividends paid to the company's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividends are resolved on by the company's shareholders.

X *One-off items*

One-off 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 one-off items are recognized in the profit and loss account, 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 recognized 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 amortized, 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 cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

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 capitalized at historical cost and amortized on a straight line basis over their estimated useful lives of 3 to 5 years.

Capitalized 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

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employees who are directly associated with and who devote substantial time to the project. Capitalization 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 amortized over their expected useful lives on a straight-line basis, with the useful lives reviewed annually. Other software-related related costs that do not meet the above criteria for capitalization are recognized in the general and administrative expenses in the profit and loss account as incurred. Development expenses previously recognized in the profit and loss account are not recognized as an asset in a subsequent period.

Software under construction is not amortized 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.

Amortization of software is recognized in cost of goods sold and general and administrative expenses in the profit and loss account.

Right of free electricity

The indefinite right of free electricity acquired is capitalized at acquisition cost. In view of the indefinite nature of the right, the right is not amortized, 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 recognized in the general and administrative expenses in the profit and loss account as incurred. Expenses incurred on development projects are recognized 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 recognized in the profit and loss account as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses. The capitalized development expenditure is amortized over its expected useful life on a straight-line basis, with the useful lives reviewed annually. Development expenses previously recognized in the profit and loss account are not recognized as an asset in a subsequent period. Capitalized 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 capitalized at historical cost and amortized based on their useful lives, with the useful lives reviewed annually. Expenses previously recognized in the profit and loss account are not recognized 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.

The estimated economic useful lives of property, plant and equipment can be specified 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 recognized in the profit and loss account, depending on the nature of the items.

Subsequent expenditure is included in the carrying amount of an asset or recognized 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.

Depreciation of property, plant and equipment is recognized in cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account.

XIII *Deferred tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognized 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 recognized 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 realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized 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 recognized 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 utilized.

Deferred income tax liabilities arise 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 recognized.

For the unrecognized deductible temporary differences, unused tax credits and tax losses carried forward, it is not yet probable that these may be utilized against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either

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the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

Deferred taxes are not discounted.

XIV *Financial assets*

The Group initially recognizes loans and receivables on the date when they arise. All other financial assets (including assets designated as at fair value through profit and loss account) are recognized 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 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 and receivables are carried at amortized 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 derecognized a financial asset when the contractual rights to the cash flows from the asset are realized, 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 recognized as a separate asset or liability.

XV *Impairment of non-current assets*

Assets that have an indefinite useful life are not subject to amortization 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 amortization 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 cost of disposal and its value in use. Impairment costs are recognized immediately in the profit and loss account, depending on the nature of the items.

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 recognized 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 recognized.

XVI *Derivative financial instruments and hedging activities*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing 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:

(a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) 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 recognized 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 recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized 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 account. The gain or loss relating to the effective portion of interest rate swaps to hedge variable rate borrowings is recognized in net financial items in the profit and loss account. However, when the estimated transaction that is hedged results in the recognition of a non-financial asset, 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 recognized in the profit and loss account, depending on the nature of the items. 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 recognized in exchange differences on borrowings and cash and cash equivalents in foreign currencies 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 recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in exchange differences on borrowings and cash and cash equivalents in foreign currencies 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 in the hedging reserve in other comprehensive income are shown in the statement of other 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 recognized in unrealized 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 recognized in the profit and loss account, depending on the nature of the items.

XVII *Inventories*

Raw materials are valued at the lower of cost or net realizable value. Cost is determined using the FIFO method.

Inventories of semi-finished and finished products are stated at the lower of cost or net realizable 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 realizable 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.

The write-downs, additions and releases related to the provision for obsolete inventory are recognized in cost of goods sold in the profit and loss account.

XVIII *Receivables*

Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized 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 reorganization, 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 recognized in the profit and loss account within net sales. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are released in net sales 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 recognized 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 amortized 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 cost of disposal.

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 recognized. Contingent consideration is discounted using the cost of equity. If the fair value of a contingent consideration deviates from the recognized contingent consideration, the difference is recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in other comprehensive income when incurred. All other expenses related to defined benefit plans are recognized in the profit and loss account when incurred, depending on the nature of the items. The interest on defined benefit obligations is recognized in net financial items in the profit and loss account when incurred.

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 are 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized, 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 recognized 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 recognized 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 recognized as a deduction from equity and as a financial liability. The interest costs directly attributable to the forward contract are recognized 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 derecognized as its contractual obligation is discharged and cancelled.

XXVII *Borrowings*

Borrowings are initially recognized at fair value, being the amount received taking into account any premium or discount, and less transaction costs. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 recognized 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 recognized 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 amortized 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 derecognized 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 capitalization.

All other borrowing costs are recognized 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. 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 recognized initially at fair value and are subsequently measured at amortized 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 capitalized 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 recognized 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 recognized 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 recognized in 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 recognized as operating leases. Payments made under operating leases are recognized 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	2015	2014
Net sales		
Sales of goods		
Sugar confectionery	3,118	2,737
Chocolate confectionery	881	913
Pastilles	848	859
Chewing gum	378	385
Nuts	184	139
Other	265	280
Total	**5,674**	**5,313**
Other income		
Other	0	5
Total	**5,674**	**5,318**

Other income in 2014 consisted of book gains on the sale of a brand and book gains on assets sold to third parties.

The breakdown of net sales by country to the customers is as follows:

%	2015	2014
Sweden	30	29
Finland	18	18
The Netherlands	13	14
Italy	13	12
Denmark	6	5
Norway	4	5
Other countries	16	17
Total	**100**	**100**

No individual customer accounts for more than 10 per cent of Cloetta's total net sales.

Note 3 Amortization of intangible assets, depreciation of property, plant and equipment and other changes in values

See Notes 1 (II), (V), (XI), (XII) and (XV) for the accounting policy.

SEKm	2015	2014
Software	30	27
Other intangibles	4	3
Land and buildings	18	16
Machinery and equipment	179	155
Total amortization/depreciation	**231**	**201**
Amortization/depreciation has been allocated by function as follows		
Cost of goods sold	170	163
Selling expenses	5	4
General and administrative expenses	56	34
Total amortization/depreciation	**231**	**201**
Impairment		
Property, plant and equipment	–	2
Total impairment	**–**	**2**

The impairment losses on property, plant and equipment have been charged to cost of goods sold.

Note 4 Expenses by type

SEKm	2015	2014
Raw materials and consumables used including change in inventory of finished goods and work in progress	2,145	2,049
Personnel expenses (*See Note 5*)	1,277	1,194
Depreciation, amortization and impairment charges (*See Note 3*)	231	203
Transportation expenses	156	159
Operating lease payments (*See Note 32*)	75	69
Advertising and promotion	387	386
Selling and marketing	98	66
Energy expenses	124	92
Maintenance expenses	97	88
Other operating expenses	413	435
Total operating expenses	**5,003**	**4,741**

The costs charged to the profit and loss account relating to research and development amount to SEK 47m (39).

Note 5 Personnel expenses and number of employees

See Note 1 (VI) for the accounting policy.

Personnel expenses are specified as follows:

SEKm	2015	2014
Salaries and remuneration		
Group Management		
– Sweden	31	19
– Other	13	12
Of which, bonuses		
– Sweden	12	1
– Other	4	0
Other employees		
– Sweden	237	241
– Other	604	558
Total salaries and remuneration	**885**	**830**
Pension costs		
Group Management		
– Defined contribution plans	7	6
Total pension costs, senior executives	**7**	**6**
Other employees		
– Defined contribution plans	65	49
– Defined benefit plans	10	13
Total pension costs, other employees	**75**	**62**
Total defined contribution plans	72	55
Total defined benefit plans	10	13
Total pension costs	**82**	**68**
Other social security expenses, all	238	235
Total pensions and other social security expenses	**320**	**303**
Other personnel costs, all	72	61
Total personnel expenses	**1,277**	**1,194**

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The average number of employees is as follows:

SEKm	2015	2014
Average number of employees		
– Group Management	11	11
– Other employees	2,572	2,522
Of whom, women		
– Group Management	2	1
– Other employees	1,325	1,264

The average number of employees by country is as follows:

	2015	2014
Average number of employees:		
Sweden	553	586
Slovakia	706	677
Italy	440	464
The Netherlands	426	343
Finland	193	185
Belgium	106	105
Ireland	68	77
Denmark	38	34
Norway	35	41
Germany	7	7
UK	6	8
Other	5	6
Total	**2,583**	**2,533**
Of whom, women:		
Sweden	253	277
Slovakia	480	446
Italy	179	190
The Netherlands	159	94
Finland	160	152
Belgium	24	24
Ireland	25	31
Denmark	21	17
Norway	16	20
Germany	3	3
UK	3	6
Other	4	5
Total	**1,327**	**1,265**

Specification of the gender distribution in company management is as follows:

%	2015	2014
Percentage of women		
Board of Directors	33	50
Group Management	18	9
Other Employees	52	50

Note 6 Remuneration to the Board

Paid fees 2015 SEK 000s	Board fees	Committee fees	Total
Board Chairman			
Caroline Sundewall	607	150	757
Board members			
Olof Svenfelt	278	100	378
Adriaan Nühn	278	50	328
Mikael Svenfelt	278	50	328
Ann Carlsson[1]	92	–	92
Mikael Norman[2]	187	66	253
Lottie Knutson[2]	187	–	187
Total	**1,907**	**416**	**2,323**

Paid fees 2014 SEK 000s	Board fees	Committee fees	Total
Board Chairman			
Caroline Sundewall[3]	400	100	500
Lennart Bylock[4]	167	17	184
Board members			
Lilian Fossum Biner[5]	253	67	320
Olof Svenfelt	267	100	367
Adriaan Nühn	267	33	300
Mikael Svenfelt	267	50	317
Ann Carlsson[1]	183	–	183
Hans Eckerström[4]	83	50	133
Meg Tivéus[4]	83	33	116
Peter Törnquist[4]	83	33	116
Håkan Kirstein[4]	83	–	83
Robert-Jan van Ogtrop[4]	83	17	100
Total	**2,219**	**500**	**2,719**

1) Resigned on 23 April 2015.
2) Elected as per 23 April 2015.
3) Appointed as per 29 April 2014.
4) Resigned on 29 April 2014.
5) Resigned on 18 December 2014.

Note 7 One-off items

See Note 1 (X) for the accounting policy.

The one-off items of SEK –19m (–55) relate to factory restructurings, acquisition costs, integration costs related to acquisitions and remeasurements of contingent considerations and assets held for sale.

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Note 8 Audit fees

SEKm	2015	2014
Fee for auditing services	5	5
Fee for other services		
– 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 2014 and 2015, KPMG was elected as the auditor of the Group.

Note 9 Net financial items

See Note 1 (VII) for the accounting policy.

SEKm	2015	2014
Exchange differences in borrowings and cash and cash equivalents in foreign currencies	**–1**	**–11**
Other financial income, third parties	1	4
Other financial income at amortized cost	**1**	**4**
Unrealized gains on single currency interest rate swaps[1]	5	–
Other financial income at fair market value	**5**	**–**
Total other financial income	**6**	**4**
Interest expenses, third-party borrowings	–101	–138
Interest expenses, third-party pensions	–17	–13
Interest expenses, contingent earn-out liabilities	–13	–14
Amortization of capitalized transaction costs	–18	–19
Other financial expenses, third parties	–15	–17
Other financial expenses at amortized cost	**–164**	**–201**
Unrealized losses on single currency interest rate swaps[1]	0	–23
Realized losses on single currency interest rate swaps[1]	–19	–8
Other financial expenses at fair market value	**–19**	**–31**
Total other financial expenses	**–183**	**–232**
Net financial items	**–178**	**–239**

1) The unrealized gains and losses on single currency interest swaps consist of the fair value adjustment of the currency interest swaps over time. The realized losses on single currency interest rate swaps are the contractual payments.

Note 10 Income taxes

See Note 1 (VIII) for the accounting policy.

SEKm	2015	2014
Current income tax	–15	–3
Deferred income tax	–92	–93
Total	**–107**	**–96**
The year's income tax expense corresponds to an effective tax rate of, %	21.7	28.4

The difference between the effective tax rate and the applicable tax rate in Sweden is attributable to the following items:

SEKm	2015	2014
Profit for the year	493	338
Tax calculated at applicable tax rate for the Parent Company	–108	–74
International rate differences	–4	–4
State and local taxes	–4	–7
Result investments/divestments, non-taxable	5	–
Expenses not deductible for tax purposes	–3	–6
Adjustments recognized in the period for tax of prior periods	6	0
Effect of rate changes	2	–
Tax losses for which no deferred income tax asset is recognized in the current year	–1	–7
Tax losses for which no deferred income tax asset was recognized in previous years	2	–
Other	–2	2
Tax benefit/(expense)	**–107**	**–96**
Reported effective tax rate, %	**21.7**	**28.4**
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 2015 of 22.0 per cent (22.0).

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.

SEKm Historical cost	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2014					
Acquisition or production costs	3,169	2,065	190	39	5,463
Accumulated amortization and impairments	–	–82	–117	–12	–211
Book value at 1 January 2014	**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
Amortization	–	–	–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 amortization and impairments	–	–86	–135	–15	–236
Book value at 31 December 2014	**3,520**	**2,224**	**114**	**24**	**5,882**
Movements in 2015					
Business combinations	121	42	–	20	183
Additions	–	–	23	–	23
Exchange differences	–45	–59	–2	0	–106
Amortization	–	–	–30	–4	–34
Total	**76**	**–17**	**–9**	**16**	**66**
31 December 2015					
Acquisition or production costs	3,596	2,291	258	59	6,204
Accumulated amortization and impairments	–	–84	–153	–19	–256
Book value at 31 December 2015	**3,596**	**2,207**	**105**	**40**	**5,948**
Estimated economic useful life	*Indefinite*	*Indefinite*	*3–5 years*	*5 years–indefinite*	

The carrying amount of software includes an amount of SEK 2m (14) for software under construction.

The other intangibles consist mainly of capitalized customer lists, benefits related to the right to free electricity and a capitalized recipe.

Part of recognized trademarks 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 a terminal growth rate.

The most important assumptions in the calculations are the terminal growth rate and the pre-tax discount rate. EBITDA is a key assumption when establishing the financial budgets. These assumptions reflect and do not differ from prior experience and external information sources. EBITDA is determined in the annual budget process. The terminal growth rate is determined by assuming that the business will grow in line with consumer prices/inflation based on central bank forecasts or similar. Discount rates have been determined by applying the capital asset pricing model. The terminal growth target is in line with the Group's long-term goal for organic growth and the management's judgement.

These assumptions have been used for the analysis of each CGU and group of CGUs in the impairment analysis. The budgeted figures are based on past performance and management's expectations for market development. The weighted average growth rates used are consistent with the forecasts used in 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.

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For impairment testing, the following assumptions have been used:

	Terminal growth rate		Pre-tax discount rate	
%	2015	2014	2015	2014
South/Italy	2	2	9	10
Scandinavia/Sweden	2	2	7	7
Finland	2	2	7	7
Middle/ The Netherlands	2	2	7	8
Group	2	2	8	8

Goodwill

Goodwill is 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 organizations of Scandinavia, Finland, Middle and South. The goodwill related to the purchase price allocation for the acquired company Cloetta Nutisal AB has been allocated to the CGU Scandinavia. Goodwill related to the purchase price allocation for the acquired companies Aran Candy Ltd. and Locawo B.V. has been allocated to the CGU Middle.

The estimated recoverable amount of the groups of CGUs of South exceeds its carrying amount by approximately SEK 469m (38). If the terminal growth rate decreases by 3.3 percentage points to –1.3 per cent (0.2 percentage points to 1.8 per cent), the pre-tax discount rate increases by 2.3 percentage points to 11.4 per cent (0.2 percentage points to 10.5 per cent) or the expected EBITDA decreases by SEK 34m (3) per year, 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
1 January 2014	638	912	186	247	1,983
Business combination	61	–	64	–	125
Exchange rate differences	40	53	9	14	116
31 December 2014	**739**	**965**	**259**	**261**	**2,224**
Business combination	–	–	40	–	40
Adjustment of purchase price allocation	–	–	–	–	–
Exchange rate differences	–18	–24	–8	–7	–57
31 December 2015	**721**	**941**	**291**	**254**	**2,207**

Trademarks

For trademarks, the related CGUs are the commercial organizations of the countries that own the respective trademarks. The trademark for the acquired brand Nutisal has been allocated to the CGU Sweden. The trademarks for the acquired brands The Jelly Bean Factory and Lonka have been allocated to the CGU the Netherlands. The 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
1 January 2014	1,308	459	638	708	56	3,169
Addition	147	–	91	–	–	238
Exchange rate differences	–	27	41	42	3	113
31 December 2014	**1,455**	**486**	**770**	**750**	**59**	**3,520**
Addition	–	–	125	–	–	125
Exchange rate differences	–	–11	–19	–17	–2	–49
31 December 2015	**1,455**	**475**	**876**	**733**	**57**	**3,596**

The estimated recoverable amount of the CGU of Italy exceeds its carrying amount by approximately SEK 205m (217). If the terminal growth rate decreases by 1.8 percentage points to 0.2 per cent (1.6 percentage points to 0.4 per cent), the pre-tax discount rate increases by 1.4 percentage points to 10.5 per cent (1.5 percentage points to 11.7 per cent) or the expected EBITDA decreases by SEK 15m (19) per year, 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.

SEKm **Historical cost**	Land and buildings	Machinery and equipment	Assets under construction	Total
1 January 2014				
Acquisition or production costs	930	3,139	45	4,114
Accumulated depreciation and impairments	–344	–2,110	–	–2,454
Book value at 1 January 2014	**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**
Movements in 2015				
Business combinations	–	121	–	121
Additions	3	33	102	138
Transfers	23	88	–111	–
Disposals	–	–1	–	–1
Exchange differences	–10	–20	0	–30
Depreciation	–18	–179	–	–197
Total	**–2**	**42**	**–9**	**31**
31 December 2015				
Acquisition or production costs	933	3,282	20	4,235
Accumulated depreciation and impairments	–380	–2,157	–	–2,537
Book value at 31 December 2015	**553**	**1,125**	**20**	**1,698**
Estimated economic useful life	*Buildings: 20–50 years* *Land: Indefinite*	*3–55 years*	*N/A*	

The estimated economic useful lives of 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

Parts of land and buildings are secured through mortgages held by Svenska Handelsbanken AB and the holders of senior secured notes (see Note 21).

The impairment losses on property, plant and equipment have been charged to cost of goods sold (see Note 3).

The impairment charges in 2014 relate mainly to the sale of machinery and equipment in connection with the supply chain restructuring. The impairment corresponds to the difference between the carrying amount and the higher of value in use and fair value less cost of disposal.

At 31 December 2015, the Group had contractual commitments for acquisitions of machinery and equipment for an amount of SEK 31m (45).

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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 2015	31 Dec 2014
Sweden	2,803	2,836
Finland	1,429	1,461
Italy	1,373	1,415
The Netherlands	1,525	1,271
Other countries	516	566
Total	**7,646**	**7,549**

Note 13 Tax assets and liabilities

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See Notes 1(VIII) and(XIII) for the accounting policy.

SEKm **Historical cost**	Tax losses carried forward	Unused tax credits	Property plant & equipment	Intangible assets	Provisions (incl. pensions)	Other current assets and liabilities	**Total**
1 January 2014	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**
Business combinations and divestments	–	–	–15	–36	0	2	–49
Profit and loss account (charge)/ credit for the year	–112	–19	–3	–43	–5	74	–108
Return to accrual	–3	0	0	0	1	–2	–4
Effect of rate changes	–11	0	6	18	–2	–10	1
Exchange differences/Other	20	–1	2	22	–28	–13	2
31 December 2015	**169**	**40**	**–138**	**–697**	**37**	**32**	**–557**

Deferred tax assets and liabilities can be broken down as follows:

SEKm	31 Dec 2015	31 Dec 2014
Deferred tax assets	64	84
Deferred tax liabilities	–621	–483
Total	**–557**	**–399**

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 recognized tax losses carried forward.

The amounts are as follows:

SEKm	31 Dec 2015	31 Dec 2014
Deferred tax asset to be realized after more than 12 months	60	75
Deferred tax asset to be realized within 12 months	4	9
Total	**64**	**84**

The composition of deductible temporary differences (recognized as well as unrecognized), unused tax credits and tax losses carried forward is as follows:

	31 Dec 2015		31 Dec 2014	
SEKm	Recog-nized	Not recognized	Recog-nized	Not recognized
Deductible temporary differences	150	–	142	–
Unused tax credits	40	19	60	19
Tax losses carried forward	169	118	275	136
Total	**359**	**137**	**477**	**155**

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 four years to unlimited.

Deferred tax liabilities

The deferred tax liability is recognized 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 2015	31 Dec 2014
Deferred tax liability to be recovered after more than 12 months	655	521
Deferred tax liability to be recovered within 12 months	–34	–38
Total	**621**	**483**

The short-term part of this net liability consists of deferred tax assets mainly related to losses carried forward insofar as these are expected to be utilized during 2016, while the long-term part is mainly related to the temporary difference in intangible assets.

Current income tax

SEKm	31 Dec 2015	31 Dec 2014
Current income tax assets	3	3
Current income tax liabilities	–55	–58
Total	**–52**	**–55**

See also Note 33 for further details regarding accounting estimates and judgments in respect to the ongoing tax audits.

Note 14 Non-current financial assets

See Notes 1 (XIV) and (XV) for the accounting policy.

SEKm	31 Dec 2015	31 Dec 2014
Deposits	5	5
Tax indemnity receivable	–	86
Other financial assets	22	14
Total	**27**	**105**

The fair values of non-current financial assets approximate their carrying amounts.

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 2015	31 Dec 2014
Raw materials and consumables	266	278
Work in progress	62	73
Finished goods and goods for resale	458	502
Total	**786**	**853**

Movements in the provision for obsolete inventory are as follows:

SEKm	2015	2014
At 1 January	15	10
Business combinations	–1	0
Additions	14	12
Releases	–3	–3
Impairment losses	–15	–5
Exchange differences	1	1
At 31 December	**11**	**15**

Parts of the inventories have been pledged as security for borrowings from Svenska Handelsbanken AB and the holders of senior secured notes (see Note 21).

Note 16 Trade and other receivables

See Notes 1 (XVIII) for the accounting policy.

SEKm	31 Dec 2015	31 Dec 2014
Trade debtors	90	988
Provision for impairment of trade receivables	–20	–16
Trade receivables - net	**889**	**972**
Other receivables	56	114
Prepaid expenses and accrued income	30	35
Total	**975**	**1,121**

Parts of the trade and other receivables have been pledged as security for borrowings from Svenska Handelsbanken AB and the holders of senior secured notes (see Note 21).

The individual trade receivables for which provisions were made relate to uncollectible receivables that are not covered by credit insurances.

Movements in the provision for impairment of trade receivables are as follows:

SEKm	2015	2014
At 1 January	16	14
Business combinations	0	0
Provision for impairment of receivables	14	11
Receivables written off during the year as uncollectible	–3	–8
Unused amounts reversed	–8	–1
Exchange differences	1	0
At 31 December	**20**	**16**

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The age analysis of the trade receivables for which a provision for impairment has been recognized is as follows:

SEKm	31 Dec 2015	31 Dec 2014
Up to 60 days	0	0
60 to 90 days	0	0
Over 90 days	20	16
Total	20	16

The other receivables and prepaid expenses and accrued income do not contain impaired assets.

As of 31 December 2015, trade receivables of SEK 174m (182) 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 2015	31 Dec 2014
Up to 60 days	130	156
60 to 90 days	16	8
Over 90 days	28	18
Total	174	182

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 2015	31 Dec 2014
Euro	568	623
Swedish krona	210	236
Great Britain pound	40	36
Danish krone	35	42
Norwegian krone	20	20
US dollar	5	4
Other currencies	11	11
Total	889	972

The breakdown of prepaid expenses and accrued income is as follows:

SEKm	31 Dec 2015	31 Dec 2014
Prepaid rents, insurance and lease charges	8	7
Prepaid IT expenses	8	7
Prepaid personnel-related expenses	2	8
Prepaid marketing expenses	1	2
Other prepaid expenses	11	10
Other accrued income	–	1
Total	30	35

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 2015	31 Dec 2014
Cash and cash equivalents	246	229
Total	246	229

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 currency, 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 recognized offsetting of financial assets and liabilities relating to the notional group account:

2015 SEKm	Gross amounts of financial instruments	Set-off in the balance sheet	Net amount presented in the balance sheet	Related financial instruments that are not offset	Net amount
Cash and cash equivalents	158	–115	43	203	246
Total assets	158	–115	43	203	246
Loans from credit institutions and senior secured notes	115	–115	–	2,956	2,956
Total liabilities	115	–115	–	2,956	2,956

2014 SEKm	Gross amounts of financial instruments	Set-off in the balance sheet	Net amount presented in the balance sheet	Related financial instruments 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 and senior secured notes	–39	250	211	3,205	3,416
Total liabilities	–39	250	211	3,205	3,416

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Note 18 Assets held for sale

See Note 1 (XXII) for the accounting policy.

All assets held for sale relate property, plant and equipment. The movements in the year are as follows:

SEKm	2015	2014
At 1 January	16	15
Remeasurements recognized in profit and loss	–5	–
Exchange rate differences	–0	1
At 31 December	11	16

The assets held for sale at 31 December 2015 are the land and building in Zola Predosa, Italy for an amount of SEK 11m (16). The assets held for sale are categorized at level 3 of the fair value hierarchy. See Note 29 for a total overview of the Group's assets and liabilities that are measured at fair value. The remeasurement of the fair value is recognized in the cost of goods sold in the profit and loss accounts.

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 proposes dividend to the shareholders.

The company's long-term intention is a dividend payout of 40–60 per cent of profit after tax. In 2014 and 2015, 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 2014 or 2015. The Board proposes that the Annual General Meeting approves a dividend of SEK 0.50 per share, corresponding to 37 per cent of profit after tax for the financial year 2015, to be paid during 2016.

Group equity

Share capital

The number of shares authorized issued and fully paid up at 31 December 2015 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.

Foreign currency translation reserve

Reserves consist of all exchange gains/losses arising on translation of the financial statements of foreign operations that present their financial statements in a currency other than that used by the Group. This includes foreign currency differences on monetary items that are a receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including 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 88.

Hedge of a net investment in a foreign operation (Net investment hedge)

The Group applies hedge accounting for the investment in trademarks in Cloetta Suomi Oy and Cloetta Holland B.V. The Group documents its assessment, 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. See Note 1 for further details about the applied hedge accounting.

Share-based payments

See Note 24 for further details about share-based payments.

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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:

	2015	2014
Profit for the year, attributable to ordinary shareholders (in SEKm) (basic and diluted)	386	242
Number of issued ordinary shares at 1 January	288,619,299	288,619,299
Effect of forward contract to repurchase own shares	–2,328,459	–1,631,309
Weighted average number of ordinary shares during the year before dilution	**286,290,840**	**286,987,990**
Effect of share-based payments	270,767	104,790
Weighted average number of ordinary shares during the year after dilution	**286,561,607**	**287,092,780**
Basic earnings per share, SEK	**1.35**	**0.84**
Diluted earnings per share, SEK	**1.35**	**0.84**

Cloetta has entered into 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 2015 have been calculated on the average number of shares, adjusted for the effect of the forward contracts to repurchase own shares. The forward contracts to repurchase own shares cover a total of 2,567,610 (2,137,610) shares. One contract covers 937,610 (937,610) shares for an amount of SEK 18.50678 (18.50678) per share, one contract covers 1,200,000 (1,200,000) shares for an amount of SEK 23.00000 (23.00000) per share and the last contract covers 430,000 (–) shares for an amount of SEK 26.40000 (–) per share, together causing the dilutive effect of potential shares.

Note 21 Borrowings

See Notes 1 (XXVII) and (XXVIII) for accounting policies:

31 Dec 2015 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years
Loans from credit institutions	344	1,619	–	–
Senior secured notes	–	–	993	–
Total	**344**	**1,619**	**993**	**–**

31 Dec 2014 SEKm	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**	**–**

See Note 31 for further details on liabilities to related parties.

The following table shows the Group's contractually agreed cash flows payable under financial liabilities.

31 Dec 2015 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years
Loans from credit institutions	402	1,640	–	–
Senior secured notes	31	31	1,022	–
Total	**433**	**1,671**	**1,022**	**–**

31 Dec 2014 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years
Loans from credit institutions	496	405	1,679	–
Senior secured notes	34	34	1,058	–
Total	**530**	**439**	**2,737**	**–**

The carrying amounts and fair value of non-current borrowings are as follows:

	Fair value		Carrying amount	
SEKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Borrowings from credit institutions	1,619	2,003	1,619	2,003
Senior secured notes	1,031	990	993	990
Total	**2,650**	**2,993**	**2,612**	**2,993**

The fair value of the senior secured notes is based on the price paid on the last trade in the year which amounted to 103.8 (100.0).

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	
SEKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
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 2,319m)	1,623	1,892	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: utilized amount	–41	–262		
Unused amount	**699**	**478**		

The fixed applicable margin at 31 December 2015 amounted to 2.25 per cent (3.00). 40 per cent of the fixed applicable margin is paid annually as a commitment fee with respect to the revolver facility.

Currency

All loans are denominated in euros, except for part of the Term B loan for an amount of SEK 363m (363) and the senior secured notes 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 2.76 per cent (3.50).

The following securities have been pledged to Svenska Handelsbanken AB and holders of the senior secured notes:

- Shares in the group companies Cloetta Sverige AB, Cloetta Norge AS, Cloetta Danmark ApS, Cloetta Suomi Oy, Karkkikatu Oy, Cloetta Finance Holland B.V. and Cloetta Holland B.V. for an amount of SEK 5,164m (4,513);
- Floating charges and other pledges on movable assets in Cloetta Holland B.V., Cloetta Sverige AB, Cloetta Norge AS and Cloetta Suomi Oy for an amount of SEK 3,719 m (3,803);
- Pledge on real estate property (mortgages) in Cloetta Sverige AB and Cloetta Holland B.V. for an amount of SEK 2,914m (4,334);
- Pledges on receivables in Cloetta Holland B.V. without nominal amount (without nominal amount);
- Trademark pledges in Cloetta AB (publ), Cloetta Holland B.V., Cloetta Suomi Oy and Cloetta Sverige AB for an amount of SEK 2,469m (3,566);
- 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 (without nominal amount).

Senior secured notes

The senior secured notes amount to SEK 1,000m and have a 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.

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Note 22 Derivative financial instruments

See Note 1 (XVI) for the accounting policy.

	31 Dec 2015		31 Dec 2014	
SEKm	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Non-current				
Forward contracts to repurchase own shares	–	39	–	45
Interest rate swaps	–	5	–	11
Total non-current	**–**	**44**	**–**	**56**
Current				
Forward contracts to repurchase own shares	–	18	–	–
Interest rate swaps	–	17	–	16
Forward foreign currency contracts	1	0	2	–
Total current	**1**	**35**	**2**	**16**
Total	**1**	**79**	**2**	**72**

Forward contracts to repurchase own shares

Following the introduction of the share-based long-term incentive plans, Cloetta entered into forward contracts to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of the 2013, 2014 and 2015 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 has 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:

	Notional principal amounts		Fixed interest currency rates		Expiry date	
SEKm	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
STIBOR Interest rate swaps	820	820	1.355%	1.300%–1.355%	2016–2017	2015–2017
EURIBOR Interest rate swaps	50	170	0.203%	0.465%	2016–2017	2015
EURIBOR Interest rate swaps	50	–	0.203%	–	2016	–

Foreign currency exchange contracts

The Group has entered into forward foreign currency contracts to hedge the currency risk of the USD and GBP with a maturity of less than one year from the reporting date.

The following table shows the notional principal amounts, average exchange rates and remaining periods:

	Notional principal amounts		Fixed interest currency rates		Expiry date	
SEKm	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
SEK – USD	USD 8.5m	USD 9.2m	8.2598	7.5010	2016	2015
GBP – EUR	GBP 0.8m	–	0.7722	–	2016	–

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Note 23 Other non-current liabilities

See Note 1 (XXIV) for the accounting policy.

31 Dec 2015 SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	Total Remaining term > 1 years
Contingent consideration	82	43	–	43
Total	**82**	**43**	**–**	**43**

31 Dec 2014 SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	Total Remaining term > 1 years
Contingent consideration	2	145	–	145
Total	**2**	**145**	**–**	**145**

The current portion of the contingent consideration has been reported in 'Trade and other payables', see Note 26.

The carrying amounts and fair values of the contingent consideration is as follows:

	Fair value		Carrying amount	
SEKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Contingent consideration	125	147	125	147
Total	**125**	**147**	**125**	**147**

Contingent consideration consist of the contingent earn-out consideration related to the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent consideration arising from the option agreement for Aran Candy Ltd. These are dependent on certain conditions 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 recognized at 31 December 2015 amounts to SEK 125m (147). 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) and will be payable in 2017. No minimum or maximum is defined on the future total contingent payments for the acquisition of Aran Candy Ltd., which will be paid in 2016. The contingent consideration is categorized at level 3 of the fair value hierarchy.

SEKm	2015	2014
At 1 January	**147**	**2**
Business combinations	–	158
Remeasurements recognized in profit and loss		
- Unrealized remeasurement on contingent consideration recognized in general and administrative expenses	–33	–27
- Unrealized interest on contingent consideration recognized in other financial expenses	12	14
Remeasurements recognized in other comprehensive income		
- Unrealized currency translation differences	–1	0
At 31 December	**125**	**147**

The remeasurement movements recognized in the profit and loss account are the result of remeasurements of the expected financial performance of the acquired companies.

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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.

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 30m (26). These can be split into employer contributions of SEK 20m (17) and employee contributions of SEK 10m (9). At year-end 2015, the coverage of the pension fund was 106.7 per cent (114.2).

The main defined benefit plans at 31 December 2015 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 2015	31 Dec 2014
Obligations for:		
Pension benefits	377	505
Other long-term employee benefits (for jubilee payments) ('OLEB')	1	0
Total	**378**	**505**

The amounts recognized in the balance sheet are determined as follows:

SEKm	31 Dec 2015	31 Dec 2014
Present value of funded obligations	87	102
Fair value of plan assets	–72	–80
Deficit of funded plans	**15**	**22**
Present value of unfunded obligations	363	483
Total deficit of defined benefit pension plans	**378**	**505**
Liability in the balance sheet	**378**	**505**

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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
1 January 2014	457	–97	360
Current service cost	10	–	10
Interest expense/(income)	16	–3	13
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense/(income)	–	–11	–11
- (Gain)/loss from change in financial assumptions	157	–	157
- Experience (gains)/ losses	–	–	–
Total remeasurements	157	–11	146
Exchange differences	7	–3	4
Contributions:			
- Employers	–	–19	–19
- Plan participants	1	–1	–
Payments from plans			
- Benefit payments	–18	18	–
- Settlements	–45	36	–9
31 December 2014	585	–80	505
Current service cost	10	–	10
Interest expense/(income)	11	–1	10
Remeasurements:			
- Return on plan assets, excluding amounts included in interest expense/(income)	–	3	3
- (Gain)/loss from change in demographic assumptions	–1	–	–1
- (Gain)/loss from change in financial assumptions	–90	–	–90
- Experience (gains)/ losses	–39	–	–39
Total remeasurements	–130	3	–127
Exchange differences	–5	3	–2
Contributions:			
- Employers	–	–19	–19
Payments from plans			
- Benefit payments	–19	21	2
Acquired in a business combination	–2	1	–1
31 December 2015	450	–72	378

In connection with the strategy of the Group to reduce pension risks and risks from other long-term employee benefits, Cloetta terminated the supplementary pension scheme in the Netherlands that was operated by "Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie" in 2014. 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 legal or constructive obligations other than payment of the periodical premiums.

The defined benefit obligation and plan assets are composed by country as follows:

	Present value of obligation		Fair value of plan assets		Defined benefit obligation	
SEKm	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Sweden	295	407	–18	–17	277	390
Norway	22	23	–20	–20	2	3
Italy	66	77	0	–	66	77
Finland	37	44	–30	–36	7	8
Other countries	30	34	–4	–7	26	27
Total	450	585	–72	–80	378	505

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The significant actuarial assumptions were as follows:

%	31 Dec 2015	31 Dec 2014
Discount rate	2.73	1.98
Expected rate of future salary increases	1.91	2.26
Expected rate of future increase for benefits in payment	1.23	1.44
Expected long-term inflation rate	1.61	1.77

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 the age of 67 in the Netherlands and 65 in other countries:

	2015	
Years	Sweden	Others
Retiring at the end of the reporting period:		
– Male	20	22
– Female	23	24
Retiring 20 years after the end of the reporting period		
– Male	40	42
– Female	43	45

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:

	Impact on defined benefit obligation		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1%-point	–20%	12%
Salary growth rate	1%-point	3%	–2%
Pension growth rate	1%-point	14%	–15%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		3.94%	3.89%

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 has been applied as when calculating the pension liability recognized in the statement of financial position.

Plan assets for both 2014 and 2015 consist to 100 per cent of insurance contracts.

The expected maturity analysis for undiscounted combined net defined benefit obligations and other long-term employee benefits is as follows:

SEKm	Less than 3 years	Between 3–7 years	Between 7–15 years	Over 15 years	Total
Defined benefit obligation by expected maturity	1	0	175	274	450

Total pension costs amounting to SEK 20m (13) are 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, 5,271,858 were exercised during 2014 and 4,895,684 during 2015.

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 share options outstanding are as follows:

SEKm	Number of share options in thousands 2015	2014
At 1 January	**4,895**	**10,167**
Exercised	–4,895	–5,272
At 31 December	**–**	**4,895**
Weighted average exercise price during the period	23.01	23.30

Share-based long-term incentive plan

In 2013, 2014 and 2015, the AGM approved the Board's proposal relating to the introduction of a share-based long-term incentive plan (LTI 2013, LTI 2014 and LTI 2015) 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, LTI 2014 and LTI 2015 cover 45, 49 and 46 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, 2016 and 2017, respectively. The maximum number of class B shares in Cloetta which may be allocated under LTI 2013 shall be limited to 666,000 (subject to possible recalculation), representing approximately 0.2 per cent of the outstanding shares and 0.2 per cent of the outstanding votes. The maximum number of Class B shares in Cloetta which may be allocated under LTI 2014 shall be limited to 866,526 (subject to possible recalculation), representing approximately 0.3 per cent of the outstanding shares and 0.2 percent of the outstanding votes. The maximum number of Class B shares in Cloetta which may be allocated under LTI 2015 shall be limited to 1,031,289 (subject to possible recalculation), representing approximately 0.4 per cent of the outstanding shares and 0.3 percent of the outstanding votes.

Total costs related to the share-based long-term incentive plans are expected to amount to SEK 52m (31) during the total vesting period of which SEK 13m (5) is recognized in 2015.

With respect to LTI 2013, the target levels set by the board for the two performance targets were met by 12.4 per cent (of a maximum target fulfilment of 100 per cent). The performance targets related to the growth in Cloetta's compounded sales value during 2013–2015 and EBITA level during 2015. As a result, Cloetta will, free of charge, transfer no more than 171,000 thousand shares to participants holding matching share rights and no more than 63,612 thousand shares to participants holding performance share rights. The allocation of shares to participants holding performance share rights corresponds to 12.4 per cent of the maximum allocation.

The forward contracts to repurchase own shares amount to SEK 57m (45).

Movements in the number of shares for the share-based long-term incentive plans are as follows:

	Number of shares in thousands 2015	2014
At 1 January	**1,188**	**824**
Granted	1,131	1,005
Released	–530	–641
At 31 December	**1,789**	**1,188**

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 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 2015 assumes a 62 per cent (58) 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.

Note 25 Provisions

See Note 1 (XXV) for the accounting policy.

Total provisions consist of the following:

SEKm	31 Dec 2015	31 Dec 2014
Provision for reorganization	18	8
Provision sales return	38	55
Other provisions	11	18
Total	**67**	**81**
Analysis of total provisions		
Non-current	10	16
Current	57	65
Total	**67**	**81**

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Movements in provisions, excluding pension benefits and other long-term employee benefits, are specified as follows:

SEKm	Reorganization	Sales returns	Other	Total
1 January 2014	31	49	6	86
Business combinations	2	–	11	13
Additions	2	53	2	57
Utilizations	–26	–49	–1	–76
Releases	–2	–	–0	–2
Exchange differences	1	2	0	3
31 December 2014	8	55	18	81
Analysis of total provisions				
Non-current				16
Current				65
Total				81
1 January 2015	8	55	18	81
Business combinations	–	–	0	0
Additions	29	39	2	70
Utilizations	–17	–48	–6	–71
Releases	–1	–7	–3	–11
Exchange differences	–1	–1	0	–2
31 December 2015	18	38	11	67
Analysis of total provisions				
Non-current				10
Current				57
Total				67

The reorganization provision at 31 December 2015 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 38m (55) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2015 is expected to be utilized during the first half of 2016.

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 2015	31 Dec 2014
Trade payables	541	586
Other taxes and social securities expenses	132	154
Pension liabilities	1	1
Contingent consideration	82	–
Other liabilities	32	27
Accruals and deferred income	428	384
Total	**1,216**	**1,152**

Accruals and deferred income are specified as follows:

SEKm	31 Dec 2015	31 Dec 2014
Accrued personnel-related expenses	197	170
Accrued customer bonuses and discounts	126	109
Other accrued expenses and deferred income	105	105
Total	**428**	**384**

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Note 27 Business combinations

Acquisition of Alrifai Nutisal AB

SEKm	
Consideration paid	
Cash paid	110
Contingent consideration	110
Consideration transferred	**220**
Recognized 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
Provisions	–5
Other non-current liabilities	–32
Current liabilities	**–100**
Borrowings	–18
Other current liabilities	–82
Total identifiable net assets	**159**
Goodwill	61
Consideration transferred	**220**

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.

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 categorized 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 recognized 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 recognized 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.

The accounting for the business combination has been finalized. The goodwill acquired is allocated to the group of cash-generating units Scandinavia.

Acquisition of Aran Candy Ltd.

SEKm	
Consideration paid	
Cash paid	159
Contingent consideration	48
Consideration transferred	**207**
Recognized 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**
Provisions	–4
Other non-current liabilities	–12
Current liabilities	**–16**
Borrowings	0
Other current liabilities	–16
Total identifiable net assets	**146**
Goodwill	61
Consideration transferred	**207**

On 28 May 2014, Cloetta Ireland Holding Ltd. 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. 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 recognized 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

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recognized 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. The accounting for the business combination has been finalized. The goodwill acquired is allocated to the group of cash-generating units Middle.

Acquisition of Locawo B.V.

SEKm	
Consideration paid	
Cash paid	206
Contingent consideration	–
Consideration transferred	**206**
Recognized amounts of identifiable assets and liabilities assumed:	
Non-current assets	**264**
Intangible assets (excl. goodwill)	143
Property, plant and equipment	119
Other non-current assets	2
Current assets	**83**
Inventories	31
Trade and other receivables	52
Cash and cash equivalents	–
Non-current liabilities	**–74**
Borrowings	–21
Provisions	–2
Deferred tax liabilities	–51
Current liabilities	**–107**
Borrowings	–30
Trade payables	–26
Derivative financial instruments	–3
Taxes and social security premiums	–6
Payables to related parties	–27
Other current liabilities	–15
Total identifiable net assets	**166**
Goodwill	40
Consideration transferred	**206**

On 17 July 2015, Cloetta Holland B.V. acquired control of Locawo B.V., by acquiring 100 per cent of the total outstanding ordinary shares and 100 per cent of the voting rights in Locawo B.V. The acquisition has significantly strengthened Cloetta's position in the Netherlands and broaden Cloetta's product portfolio as part of it's 'Munchy Moment' strategy.

The total consideration consists of SEK 206m in cash.

The goodwill of SEK 40m relates primarily to the potential of new distribution channels, the workforce, the creation of diversity in Cloetta's branded portfolio and new market/sales opportunities in Cloetta's markets. The total goodwill of SEK 40m is not expected to be deductible for tax purposes.

The acquired receivables contain trade receivables of SEK 34m that are expected to be collected in full. The contingent liabilities recognized as part of the purchase price allocation amount to SEK 1m. The total transaction cost related to the acquisition amounted to SEK 9m and is fully recognized in the profit and loss account for of the period concerned as 'General & 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.

Locawo B.V. contributed SEK 151m to Cloetta's consolidated net sales from acquisition date to 31 December 2015. Had Locawo B.V. been consolidated from 1 January 2015, it would have pro forma contributed SEK 296m to consolidated net sales over the period from 1 January 2015 to 31 December 2015. Because Locawo B.V. was acquired on 17 July 2015, the accounting for the business combination is preliminary and has not yet been finalized, as the company is still assessing certain information. The goodwill acquired is allocated to the cash generating unit Middle.

See Note 1 for details about changes in the group structure.

Note 28 Financial risks and financial risk management

Through its activities, the Group is exposed it 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. 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. 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 105m (91)) which mitigates the foreign currency translation risk on these trademarks. The fair value of the loan was EUR 105m (91). 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 recognized from the net investment hedge.

To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognized 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 and GBP with a maturity of less than one year from the reporting date. See Note 22 for the details of the forward foreign currency contracts.

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In the financial year 2015, 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 30m lower/higher. The analysis considers the effects of interest rate swaps.

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 reorganization, 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 recognized 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.

		Cash balances		Overdraft facility		Other loans	
SEKm	Rating (S&P)	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Svenska Handelsbanken	AA-	77	99	–	–211	–1,986	–2,255
ING Bank	A	67	–	–	–	–	–
UBI Banca	A-3	27	–	–	–	–	–
Ulster Bank	A-2	25	8	–	–	–	–
Intesa	A-3	17	33	–	–	–	–
Tatra Bank	A-2	16	52	–	–	–	–
Nordea	A-1+	10	24	–	–	–	–
Other banks		7	13	–	–	–	–
Total		**246**	**229**	**–**	**–211**	**–1,986**	**–2,255**

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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 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 Notional Group Account (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 analyzes 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.

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31 Dec 2015

SEKm	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	402	1,640	–	–	–	–
Senior secured notes	31	31	1,022	–	–	–
Contingent consideration	–	49	–	–	–	–
Trade and other payables	1,084	–	–	–	–	–
Financial guarantee contracts	20	7	1	–	–	13
Total	**1,537**	**1,727**	**1,023**	**–**	**–**	**13**

31 Dec 2014

SEKm	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**

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.

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 covenants are an interest covenant, a net debt/EBITDA covenant and an equity/total assets covenant. Throughout 2014 and 2015, the Group was in compliance with the covenant requirements of Svenska Handelsbanken.

Note 29 Fair value measurement

Share-based long-term incentive plan

The 2013, 2014 and 2015 AGM approved the Board's proposal relating to the introduction of a share-based long-term incentive plan .

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 recognized 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 recognized at fair value after initial recognition are the interest rate swaps and forward foreign currency contracts categorized at level 2 of the fair value hierarchy in all periods presented, the contingent earn-out consideration related to the acquisitions of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) and the contingent consideration arising from the option agreement for Aran Candy Ltd. categorized at level 3, as well as assets held for sale, in cases where the fair value less cost of disposal is lower than the carrying amount. The fair values of the financial assets (loans and receivables) and liabilities measured at amortized 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 2015 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
• Non-current assets measured at fair value	–	–	11	11
• Forward foreign currency contracts	–	1	–	1
Total assets	**–**	**1**	**11**	**12**
Liabilities				
Liabilities at fair value through profit or loss				
• Interest rate swaps	–	22	–	22
• Contingent considerations	–	–	125	125
• Forward foreign currency contracts	–	0	–	0
Total liabilities	**–**	**22**	**125**	**147**

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**

The non-current assets measured at fair value at 31 December 2015 consisted of the land and building in Zola Predosa, Italy.

There are no financial instruments categorized at level 3 of the fair value hierarchy other than the contingent consideration. See Note 23 for movements in contingent consideration.

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 maximize 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 these instruments is based on quoted market prices (price-component), but the underlying contract amounts (quantity-component) are based on the specific requirements of the Group. These instruments are therefore included at level 2. The fair value measurement of the contingent consideration requires use of significant unobservable inputs and is thereby categorized at level 3.

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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 valuators;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fixed asset measured at fair value is identified as a non-recurring fair value measurement and is related to the asset held for sale. The asset is valued at fair value less cost of disposal because the fair value less costs of disposal is below the carrying amount. See Note 18 for the movements in the assets held for sale.

The contingent consideration is measured at fair value using the expected financial performance.

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 considerations			
- 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.	- Profit before indirect costs for the financial years 2015 (Actual) and 2016 (Forecast).	The estimated fair value would increase (decrease) if: - the profit before indirect costs for 2015 (Actual) 2016 (Forecast) 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.	- Actual working capital at 31 December 2015. - Actual cash balance at 31 December 2015. - Actual gross profit adjusted for sales initiatives (adjusted gross profit).	The estimated fair value would increase (decrease) if: - the working capital at 31 December 2015 were higher (lower). - the cash balance at 31 December 2015 were 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 contingent consideration liabilities in the profit and loss account or other comprehensive income and for movements in contingent consideration liabilities.

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Note 30 Pledged assets and contingent liabilities

SEKm	31 Dec 2015	31 Dec 2014
Contingent liabilities		
Bank guarantees	19	33
Customs and export guarantees	9	12
Rental guarantees	4	3
Other guarantees	9	4
Total	**41**	**52**

See Note 21 for assets pledged to Svenska Handelsbanken and the holders of senior secured notes.

Note 31 Related party transactions

All group companies mentioned in Note P8 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 company regarded as related parties is AB Malfors Promotor. In 2014 and 2015 no transactions between Cloetta AB (publ) including its subsidiaries and AB Malfors Promotor including its subsidiaries have occurred.

Transactions with Group Management and key employees

For information about salaries and remuneration to the Board of Directors and Group Management, see pages 76–77. The Group has no receivables from Group Management and key employees. In 2014 and 2015 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 recognized amount to SEK 13m (5), of which SEK 5m (3) is related to Group Management. Other liabilities to Group Management and key employees consist of customary personnel-related liabilities.

Note 32 Operating leases

See Note 1 (XXX) for the accounting policy.

Recognized expenses for operating leases amount to:

SEKm	2015	2014
Minimum lease payments	75	69
Future annual payment obligations for leased assets in the Group are broken down as follows:		
Within one year	49	53
Between one and five years	92	69
More than 5 years	36	–
Total	**177**	**122**

The operating lease commitments mainly consist of the lease of buildings and warehouses with an average contract term of approximately five years 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.

In December 2015 a decision was made to close the factory in Dieren. The factory in Dieren will be closed during 2017.

On 31 December 2017 the operational lease agreement will terminate.

Note 33 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 cost of disposal. 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 5,948m (5,882).

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 recognizes 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 2005–2010. The audit concerns the financing and interest expenses, withholding tax and deductibility of expenses that, in the Italian tax authority's view, should have been re-invoiced to Leaf Holding S.A. (currently known as Yllop Holding S.A.). Cloetta Italia S.r.l. has contested the tax authority's decision. The disputes regarding the financial years 2005–2010 are 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 was limited to an amount of EUR 9,200,000 (9,200,000) (corresponding to SEK 84m (86)) and referred to the financial years 2005–2007. The tax indemnity receivable has been derecognized in 2015 as the tax indemnity receivable has been expired.

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 recognized if, and to the extent, it is probable that all or some portion of the deferred tax asset will not be realized.

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Contingent considerations

The fair value of the contingent consideration 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 recognized. Contingent consideration discounted using the cost of equity. The contingent consideration is dependent on certain conditions being met. Remeasurements after initial recognition are recognized as an income or expense in the profit and loss account in the general and administrative expenses.

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 recognized 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 122m (138), 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.

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 are 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 378m (505). It should be noted that when discount rates decline or rates of future salary increase, the pension benefit obligations will increase.

Capitalization of development costs

Costs incurred on development projects are recognized 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 capitalizing 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 recognized 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 recognized net sales on these transactions with a corresponding provision against net sales for estimated returns.

Note 34 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 1 January 2015 and have impact on the Group:

ANNUAL IMPROVEMENTS TO IFRSS 2010-2012 CYCLE. These annual improvements amend standards from the 2010–2012 reporting cycle. They include the following changes:

- IFRS 2, 'Share Based Payments', clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
- IFRS 3, 'Business Combinations', 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 recognized in profit or 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.
- 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.

The following amendments to standards or interpretations have been adopted by the Group for the first time for the financial year beginning on 1 January 2015 and have no material impact on the Group:

AMENDMENTS TO IAS 19, 'Defined Benefit Plans, Employee contributions', the amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for the practical expedient if certain conditions are met. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

ANNUAL IMPROVEMENTS TO IFRSS 2010–2012 CYCLE. These annual improvements amend standards from the 2010–2012 reporting cycle. They include the following changes:

- 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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ANNUAL IMPROVEMENTS TO IFRSS 2011–2013 CYCLE. These annual improvements amend standards from the 2011 –2013 reporting cycle. They include the following changes:

- IFRS 1, 'First-Time Adoption 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.

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 2015, 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:

IAS 1 'Presentation of Financial Stataments', the final Standard Disclosure Initiative (Amendments to IAS 1) includes the following completed actions:

AMENDED GUIDANCE ON MATERIALITY IN IAS 1 to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

AMENDED GUIDANCE ON THE ORDER OF THE NOTES, INCLUDING ACCOUNTING POLICIES TO:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

USE OF LESS PRESCRIPTIVE WORDING FOR DISCLOSURE REQUIREMENTS when developing new Standards.

ANNUAL IMPROVEMENTS TO IFRSS 2012–2014 CYCLE. These annual improvements amend standards from the 2012–2014 reporting cycle. They include the following changes:

- IAS 19, 'Employee Benefits' is amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34, 'Interim Financial Reporting' is amended to clarify that certain disclosures, if they are not included in the notes to the interim financial statements, may be disclosed "elsewhere in the financial report".

IFRS 9, 'Financial Instruments', published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments, Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15, 'Revenue from contracts with customers', establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16, 'Leases' is published in January 2016 and supersedes IAS 17 Leases. The standard is required to be applied from 1 January 2019. A company can choose to apply IFRS 16 before this date but only if it also applies IFRS 15 Revenue from Contracts with Customers. The group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

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 35 Events after the balance sheet date

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

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Parent Company profit and loss account

SEKm	Note	2015	2014
Net sales	P2	88	88
Gross profit		**88**	**88**
Administrative expenses	P3, P4	–113	–104
Operating loss		**–25**	**–16**
Exchange differences on borrowings and cash	P5	0	1
Other financial income	P5	73	61
Other financial expenses	P5	–46	–70
Net financial items		**27**	**–8**
Profit/loss before tax		**2**	**–24**
Income tax expense	P6	0	5
Profit/loss for the year		**2**	**–19**

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.

Parent Company balance sheet

SEKm	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets		0	0
Deferred tax asset	P07	8	9
Shareholdings in group companies	P08	4,884	4,625
Receivables from group companies	P15	415	550
Total non-current assets		**5,307**	**5,184**
Current assets			
Receivables from group companies	P15	88	60
Current income tax assets	P07	1	1
Other receivables		0	–
Prepaid expenses and accrued income		1	1
Total current assets		**90**	**62**
Total assets		**5,397**	**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		62	49
Equity attributable to owners of the Parent Company	P10	**4,218**	**4,205**
Non-current liabilities			
Borrowings	P11	993	990
Payables to group companies		129	–
Derivative financial instruments	P12	3	11
Provisions		1	1
Total non-current liabilities		**1,126**	**1,002**
Current liabilities			
Payables to group companies	P15	9	11
Trade payables	P13	3	2
Other current liabilities	P13	3	5
Derivative financial instruments	P12	14	9
Accrued expenses and deferred income	P13	24	12
Total current liabilities		**53**	**39**
TOTAL EQUITY AND LIABILITIES		**5,397**	**5,246**
Pledged assets	P14	4,882	4,623
Contingent liabilities[1]	P14	2,763	3,219

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., Cloetta Finance Holland B.V., Locawo B.V., Lonka Sales B.V., Confiserie Lonka Suikerwerkfabriek B.V. and Chocolade- en suikerwerkfabriek Donkers 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. These guarantees mean that Cloetta AB (publ) 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., Locawo B.V., Lonka Sales B.V., Confiserie Lonka Suikerwerkfabriek B.V., Chocolade- en suikerwerkfabriek Donkers B.V. and Cloetta GGS Holding Ltd. As the probability of a settlement is remote, it is not feasible to estimate the financial effects.

Parent Company statement of changes in equity

SEKm	Share capital	Share premium reserve	Retained earnings	Total equity
Balance at 1 January 2014	**1,443**	**2,713**	**65**	**4,221**
Comprehensive income				
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**
Comprehensive income				
Profit for the year	–	–	2	2
Total comprehensive income for 2015	**–**	**–**	**2**	**2**
Transactions with owners				
Share-based long-term incentive plan	–	–	11	11
Total transactions with owners	**–**	**–**	**11**	**11**
Balance at 31 December 2015	**1,443**	**2,713**	**62**	**4,218**

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	2015	2014
Operating loss	**–25**	**–16**
Adjustments for non-cash items		
Amortization/depreciation and impairment of assets	0	0
Unrealized foreign exchange gains/losses	0	–1
Provisions for pensions	0	0
Interest received	0	0
Interest paid	–45	–42
Income tax paid	0	–1
Cash flow from operating activities before changes in working capital	**–70**	**–60**
Cash flow from changes in working capital		
Change in operating receivables	61	66
Change in operating liabilities	9	–6
Cash flow from operating activities	**0**	**0**
Cash flow from operating and investing activities	**–**	**0**
Cash flow for the year	**–**	**0**
Cash and cash equivalents at beginning of year	**–**	**–**
Cash flow for the year	–	0
Exchange difference	–	0
Cash and cash equivalents at end of year	**–**	**–**

Notes to the Parent Company financial statements

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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 to 31 December 2015.

Changed accounting standards

Neither revised IFRSs, nor revised RFR 2 (January 2015) effective from 1 January 2015 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.

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 group companies 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 group companies. 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 remeasurement in the provision is added to the historical cost. Any remeasurement in the receivable is reduced from the historical cost. In the consolidated financial statements, contingent consideration is measured at fair value with remeasurements recognized in the profit and loss accounts.

Group contributions

Group contributions received are recognized in the profit and loss account in the same manner as dividends received in accordance with RFR 2, IAS 18.3. Group contributions paid to group companies are reported by the Parent Company as an investment in shareholdings in group companies in accordance with RFR 2, IAS 27.1-2.

Income taxes

In the Parent Company balance sheet, untaxed reserves are recognized 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 group companies are recognized 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.

Financial guarantees

The Parent Company's financial guarantee contracts consist primarily of guarantees issued on behalf of group companies. 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 group companies. The Parent Company recognizes 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. The cost will be recognized in the profit and loss account.

Note P2 Breakdown of income

The net sales of SEK 88m (88) refer to intra-group services.

The breakdown of net sales by market is as follows:

SEKm	2015	2014
Sweden	35	40
The Netherlands	16	8
Italy	11	11
Finland	4	9
Other	22	20
Total	**88**	**88**

Note P3 Personnel expenses and number of employees

Personnel expenses are specified as follows:

SEKm	2015	2014
Salaries and remuneration		
Group Management		
– Sweden	27	15
Of which, bonuses		
– Sweden	10	2
Total salaries and remuneration	**27**	**15**
Pension costs		
Group Management		
– Defined contribution plans	3	4
– Defined benefit plans	0	0
Total pension costs	**3**	**4**
Other social security expenses, all	8	5
Total pension costs and other social security expenses	**11**	**9**
Total personnel expenses	**38**	**24**

See pages 76–77 for details on remuneration to Group Management.

The average number of employees is as follows:

	2015	2014
Average number of employees		
– Sweden	5	5
Of whom, women		
– Sweden	1	1

The specification of gender distribution in company management is as follows:

%	2015	2014
Percentage of women		
Board of Directors	33	50
Group Management	20	20

Note P4 Audit fees

SEKm	2015	2014
Fee for auditing services	2	2
Fee for other services		
– Tax advice	0	0
– Audit-related advice	0	0
– Other	0	1
Total other services	**0**	**1**
Total audit fees	**2**	**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 remuneration to Group Management.

For both financial years 2014 and 2015, KPMG was elected as the auditor of the Group.

Note P5 Net financial items

SEKm	2015	2014
Exchange differences on borrowings and cash	**0**	**1**
Group contributions	59	39
Interest income, group companies	14	22
Interest income on bank balances	–	0
Other financial income	**73**	**61**
Interest expenses, third party borrowings	–37	–46
Interest expenses, group companies	–0	–0
Interest expenses on defined benefit pension obligations	–0	–0
Interest expenses on financial liabilities measured at amortized cost	–9	–24
Other interest expenses	–0	–0
Other financial expenses	**–46**	**–70**
Net financial items	**27**	**–8**

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Note P6 Income taxes

The income tax charges are specified as follows:

SEKm	2015	2014
Current income tax	–	–
Deferred income tax	0	5
Total	**0**	**5**
The year's income tax expense corresponds to an effective tax rate of, %	20.2	21.6

SEKm	2015	2014
The difference between the effective tax rate and the statutory tax rate in Sweden is attributable to the following items:		
Profit/loss for the year	2	–24
Tax calculated at applicable tax rate for the Parent Company	0	–5
Expenses not deductible for tax purposes	0	0
Other	0	0
Tax (benefit)/expense	**0**	**–5**
Reported effective tax rate, %	**20.2**	**21.6**
Tax rate in Sweden, %	22.0	22.0

Note P7 Deferred and current income tax

The split between deferred tax assets and liabilities can be made as follows:

SEKm	31 Dec 2015	31 Dec 2014
Deferred tax assets	8	9
Total	**8**	**9**

Deferred tax assets refer to the difference between the tax base of the defined asset or liability and its carrying amount as recognized in the financial statements.

The amounts are as follows:

SEKm	31 Dec 2015	31 Dec 2014
Deferred tax asset to be realized after more than 12 months	8	9
Total	**8**	**9**

The composition of deferred taxes on deductible temporary differences and unutilized tax losses carried forward is as follows:

	31 Dec 2015		31 Dec 2014	
SEKm	Recog-nized	Not recognized	Recog-nized	Not recognized
Deductible temporary differences	8	–	9	–
Tax losses carried forward	0	–	0	–
Total	**8**	**–**	**9**	**–**

The breakdown between current tax assets and liabilities can be made as follows:

SEKm	31 Dec 2015	31 Dec 2014
Current income tax assets	1	1
Current income tax liabilities	–	–
Total	**1**	**1**

Note P8 Shareholdings in group companies

			% of capital		Carrying amount	
SEKm	Corp. ID no.	Domicile	2015	2014	2015	2014
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	–	–
Karikkikatu Oy	0723577-7	Turku, Finland	100	100	–	–
Cloetta Danmark ApS	28106866	Brøndby, Denmark	100	100	–	–
Cloetta Norge AS	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.[5]	03903510968	Silvi Marina, Italy	–	–	–	–
Cloetta USA Inc.	EIN 46-2706408	Wilmington, United States	100	100	–	–
Cloetta Finance Holland B.V.	20078943	Amsterdam, the Netherlands	100	100	–	–
Cloetta Slovakia s.r.o.	35 962 488	Bratislava, Slovakia	100	100	–	–
Cloetta GGS Holding Ltd.	08520582	London, United Kingdom	100	100	–	–
FTF Sweets Ltd.	06775890	Heysham, United Kingdom	100	100	–	–
FTF Sweets USA Inc.	211476123	Newark, United States	100	100	–	–
Cloetta Nutisal AB[1]	556706-9264	Helsingborg, Sweden	100	100	–	–
Cloetta Ireland Holding Ltd.[3]	544426	Dublin, Ireland	100	100	–	–
Aran Candy Ltd.[4]	285910	Dublin, Ireland	75	75	–	–
Locawo B.V.[9]	20111616	Roosendaal, the Netherlands	100	–	–	–
Traditional Sweets B.V.[9]	20024278	Roosendaal, the Netherlands	100	–	–	–
Chocolade- en suikerwerkfabriek Marandi B.V.[9]	09065319	Lunteren, the Netherlands	100	–	–	–
Lonka Sales B.V.[9]	53765028	Roosendaal, the Netherlands	100	–	–	–
Confiserie Lonka suikerwerkfabriek B.V.[9]	20106944	Roosendaal, the Netherlands	100	–	–	–
Chocolade- en suikerwerkfabriek Donkers B.V.[9]	09053079	Dieren, the Netherlands	100	–	–	–
Cloetta Produktion Sverige AB[7]	556226-4514	Linköping, Sweden	–	100	–	536
Cloetta Sverige AB	556674-9155	Malmö, Sweden	100	100	795	–
LEAF Sweden IP AB[6]	556877-0092	Malmö, Sweden	–	100	–	–
AB Karamellpojkarna[8]	556063-3223	Alingsås, Sweden	–	–	–	–
Cloetta Development AB	556377-3182	Linköping, Sweden	100	100	2	2
Albisol Education & Conference Ltd.[2]	–	Gibraltar, Spain	–	–	–	–
Total					**4,884**	**4,625**

1) Cloetta Nutisal AB (formerly known as Alrifai Nutisal AB) was acquired as of 8 January 2014.
2) Albisol Education & Conference Ltd. was liquidated as of 28 April 2014.
3) Cloetta Ireland Holding Ltd was incorporated as of 23 May 2014.
4) Aran Candy Ltd. was acquired as of 28 May 2014.
5) Saila S.p.A. merged into Cloetta Italia S.r.l. as of 1 September 2014.
6) LEAF Sweden IP AB merged into Cloetta Sverige AB as of 12 February 2015.
7) Cloetta Produktion Sverige AB merged into Cloetta Sverige AB as of 31 March 2015.
8) AB Karamellpojkarna merged into Cloetta Produktion Sverige AB as of 23 December 2014.
9) Locawo B.V. and its subsidiaries were acquired as of 17 July 2015.

See Note 1 and Note 27 for disclosures on changes in group structure.

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Note P9 Cash and cash equivalents

A Notional Group Account is in place which is held by Cloetta Holland B.V. As a result, no cash is presented for Cloetta AB (publ).

Note P10 Equity

Share capital

See Note 19 for a description of the share capital of the Parent Company.

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

The Board proposes that the Annual General Meeting approves a dividend of SEK 0.50 per share, corresponding to 37 per cent of consolidated profit after tax for the financial year 2015.

Note P11 Borrowings

The Parent Company's borrowings consist of senior secured notes for a net amount of SEK 993m (990). The senior secured notes mature on 17 September 2018.

See Note 21 for the disclosure of the borrowings.

Note P12 Derivative financial instruments

The derivative financial instruments comprise single currency interest rate swap liabilities amounting to SEK 17m (20) of which SEK 3m (11) is non-current of nature.

Note P13 Trade and other payables

SEKm	31 Dec 2015	31 Dec 2014
Trade payables	3	2
Other current liabilities	1	3
Other payables	2	2
Accrued expenses and deferred income	24	12
Total	30	19

Accrued expenses and deferred income amount to SEK 24m (12), of which SEK 12m (5) is related to accrued personnel-related expenses and SEK 12m (7) to other accrued expenses and deferred income.

Note P14 Pledged assets and contingent liabilities

SEKm	31 Dec 2015	31 Dec 2014
Pledged assets		
Shares in group companies	4,882	4,623
Total	4,882	4,623
Contingent liabilities		
Guarantees on behalf of group companies	206	203
Bank guarantees	0	0
Guarantee for group loan	2,557	3,016
Total	2,763	3,219

See Note 21 for a description of assets pledged to Svenska Handelsbanken and the holders of senior secured notes.

Note P15 Related party transactions

The Parent Company's holdings of shares and participations in subsidiaries are specified in Note P8.

Receivables from and liabilities to subsidiaries are broken down as follows:

SEKm	31 Dec 2015	31 Dec 2014
Non–current interest–bearing receivables	415	550
Current interest–bearing receivables	3	0
Current interest–free receivables	85	60
Non–current interest–bearing payables	–129	–
Current interest–bearing payables	–	0
Current interest–free payables	–9	–11
Total	365	599

For the Parent Company, SEK 88m (88), equal to 100 per cent (100) of the year's net sales, and SEK 50m (48), equal to 44 per cent (56) of the year's purchases, refer to group companies in the Cloetta Group. The prices of goods and services sold to and purchased from related parties are set on market-based terms.

At 31 December 2015 the Parent Company's receivables from group companies amounted to SEK 503m (610) and liabilities to subsidiaries amounted to SEK 138m (11). Transactions with related parties are priced on market-based terms. Total costs related to the share-based long-term incentive plan amounted to SEK 13m (5), of which SEK 6m (3) is related to Group Management.

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	61,419,228
Profit for the year	SEK	2,136,162
Total	SEK	**2,775,175,756**

The Board of Directors proposes that dividends be paid in a total amount of SEK 144,309,650, equal to 0.50 SEK per share. The Board of Directors proposes that the earnings be disposed of as follows:

The earnings are to be disposed as follows:		
To be distributed to the shareholders	SEK	144,309,650
to be carried forward to new account	SEK	2,630,866,106
Total	SEK	**2,775,175,756**

The number of shares at 31 December 2015 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, 9 March 2016

Caroline Sundewall
Chairman

Lottie Knutson
Member of the Board

Mikael Norman
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

David Nuutinen
President and CEO

Our audit report was issued on 9 March 2016.

KPMG AB

Tomas Forslund
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 12 April 2016. 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 10 March 2016, 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 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1–4, 6–7 and 58–135.

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 2015 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 2015 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 corporate 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 2015.

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 9 March 2016

KPMG AB

Tomas Forslund
Authorized Public Accountant

Eight-year overview

SEKm	2015	2014	2013	2012	2011	2010	2009	2008
Profit and loss account in summary								
Net sales	5,674	5,313	4,893	4,859	4,658	5,019	5,486	5,256
Cost of goods sold	–3,463	–3,325	–3,081	–3,157	–2,911	–3,058	–3,422	–3,198
Gross profit	2,211	1,988	1,812	1,702	1,747	1,961	2,064	2,058
Other operating income	0	5	12	13	1	16	0	5
Selling expenses	–949	–892	–850	–888	–915	–992	–1,019	–987
General and administrative expenses	–591	–524	–556	–702	–473	–471	–503	–567
Operating profit	671	577	418	125	360	514	542	509
Exchange differences borrowings and cash and cash equivalents in foreign currencies	–1	–11	–12	20	–12	–13	–63	–27
Other financial income	6	4	24	5	11	5	3	11
Other financial expenses	–183	–232	–220	–290	–599	–634	–677	–712
Net financial items	–178	–239	–208	–265	–600	–642	–737	–728
Profit/loss before tax	493	338	210	–140	–240	–128	–195	–219
Income tax expense	–107	–96	54	67	172	–211	22	–83
Profit/loss for the period for continuing operations	386	242	264	–73	–68	–339	–173	–302
Result after tax from discontinued operations	–	–	–	–	–	–	–	–14
Net profit/loss for the period	386	242	264	–73	–68	–339	–173	–316
Profit for the period attributable to:								
Owners of the Parent Company	386	242	264	–73	–68	–339	–173	–316

SEKm	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Balance sheet in summary								
Intangible assets	5,948	5,882	5,252	5,099	4,811	4,822	5,383	5,646
Property, plant and equipment	1,698	1,667	1,660	1,611	1,318	1,333	1,623	1,831
Deferred tax asset	64	84	73	473	447	207	258	286
Other financial assets	27	105	91	88	261	147	45	34
Total non-current assets	7,737	7,738	7,076	7,271	6,837	6,509	7,309	7,797
Inventories	786	853	798	773	640	566	631	726
Trade and other receivables	975	1,121	933	951	1,051	1,198	1,313	1,313
Current income tax assets	3	3	0	4	2	1	–	–
Derivative financial instruments	1	2	–	–	–	–	–	–
Cash and cash equivalents	246	229	167	306	97	220	245	177
Total current assets	2,011	2,208	1,898	2,034	1,790	1,985	2,189	2,216
Assets held for sale	11	16	15	35	15	–	–	–
TOTAL ASSETS	9,759	9,962	8,989	9,340	8,642	8,494	9,498	10,013
Equity	4,344	4,048	3,747	3,326	–385	–1,117	–619	–725
Long-term borrowings	2,612	2,993	3,096	2,516	6,077	6,826	7,224	7,985
Deferred tax liability	621	483	397	824	728	714	789	870
Derivative financial instruments	44	56	21	3	0	0	–	–
Other non-current liabilities	43	147	2	–	–	–	–	–
Provisions for pensions and other long-term employee benefits	378	505	360	452	250	222	250	252
Provisions	10	16	7	11	24	29	28	31
Total non-current liabilities	3,708	4,200	3,883	3,806	7,079	7,791	8,291	9,138
Short-term borrowings	344	423	212	747	747	642	680	333
Derivative financial instruments	35	16	2	21	0	0	0	0
Trade and other payables	1,216	1,152	967	1,264	1,038	975	1,073	1,189
Provisions	57	65	79	79	60	78	66	76
Current income tax liabilities	55	58	99	97	103	125	7	2
Total current liabilities	1,707	1,714	1,359	2,208	1,948	1,820	1,826	1,600
TOTAL EQUITY AND LIABILITIES	9,759	9,962	8,989	9,340	8,642	8,494	9,498	10,013

Key ratios

SEKm	2015	2014	2013	2012	2011[1]	2010[1]	2009[1]	2008[1]
Profit								
Net sales	5,674	5,313	4,893	4,859	4,658	5,019	5,486	5,256
Net sales, change %	6.8	8.6	0.7	4.3	na	na	na	na
Organic net sales, change, %	1.5	1.0	–1.0	–4.1	na	na	na	na
Gross margin, %	39.0	37.4	37.0	35.0	37.5	39.1	37.6	39.2
Depreciation	–227	–198	–175	–167	–115	–125	–144	–127
Amortization	–4	–3	–2	–1	–8	–18	–10	–7
Operating profit, (EBIT) adjusted	690	632	585	432	565	686	698	670
Operating profit margin, (EBIT margin) adjusted %	12.2	11.9	12.0	8.9	12.1	13.7	12.7	12.7
Operating profit (EBIT)	671	577	418	125	360	514	542	509
Operating profit margin (EBIT margin), %	11.8	10.9	8.5	2.6	7.8	10.3	9.9	9.7
EBITDA, adjusted	921	833	762	600	688	829	852	804
EBITDA	902	778	595	293	483	657	696	643
Profit margin, %	8.7	6.4	4.3	–2.9	–5.1	–3.3	–3.6	–4.2
Financial position								
Working capital	628	819	763	458	586	649	716	806
Capital expenditure	–161	–186	–211	–269	–224	–97	–107	–101
Net debt	2,818	3,308	3,230	3,056	2,827	3,070	3,812	4,371
Capital employed	7,756	8,041	7,438	7,066	6,682	6,575	7,543	7,845
Return on capital employed, %	8.6	7.5	6.1	1.9	5.7	na	na	na
Equity/assets ratio, %	44.5	40.6	41.7	35.6	–4.5	–13.2	–6.5	–7.2
Net debt/equity ratio, %	64.9	81.7	86.2	91.9	–734.3	–274.8	–615.8	–602.9
Return on equity, %	8.9	6.0	7.0	–2.2	na	na	na	na
Equity per share, SEK	15.1	14.0	13.0	11.5	na	na	na	na
Net debt/EBITDA, x	3.03	3.97	4.19	4.90	na	na	na	na
Cash flow								
Cash flow from operating activities	927	500	131	330	492	379	540	365
Cash flow from investing activities	–367	–369	–202	–1,506	–335	–83	–121	–140
Cash flow after investments	560	131	–71	–1,176	157	296	419	225
Cash conversion, %[2]	82.5	77.7	72.3	55.2	67.4	88.3	87.4	87.4
Cash flow from operating activities per share, SEK[1]	3.2	1.7	0.5	1.1	na	na	na	na
Employees								
Average number of employees	2,583	2,533	2,472	2,579	2,192	2,275	2,309	2,392
Share data								
Earnings per share, basic, SEK[3]	1.35	0.84	0.92	–0.26	–0.26	na	na	na
Earnings per share, diluted, SEK[3]	1.35	0.84	0.92	–0.26	–0.26	na	na	na
Dividend per share, proposed for 2015, SEK	0.50	–	–	–	–	–	–	–
Number of shares at end of period	288,619,299	288,619,299	288,619,299	288,619,299	262,137,526	na	na	na
Average number of shares (basic)[3,4]	286,290,840	286,987,990	288,010,947	276,132,021	262,137,526	na	na	na
Average number of shares (diluted)[3,4]	286,561,607	287,092,780	288,026,408	276,132,021	262,137,526	na	na	na
Exchange Rates								
EUR, average	9.3445	9.1051	8.6513	8.6958	9.0228	9.5261	10.6165	9.5999
EUR, end of period	9.1679	9.3829	8.8630	8.5750	8.9100	8.9700	10.2500	10.9100
NOK, average	1.0432	1.0882	1.1071	1.1643	1.1577	1.1905	1.2144	1.1689
NOK, end of period	0.9563	1.0439	1.0592	1.1667	1.1467	1.1493	1.2372	1.1161
GBP, average	12.8736	11.3118	10.1987	10.7429	10.4057	11.1030	11.9012	12.0936
GBP, end of period	12.4835	12.0340	10.6501	10.5215	10.6668	10.4109	11.5493	11.4337
DKK, average	1.2529	1.2215	1.1601	1.1682	1.2112	1.2794	1.4258	1.2875
DKK, end of period	1.2287	1.2604	1.1882	1.1495	1.1987	1.2035	1.3775	1.4644

1) The key figures per share for the years 2008 - 2011 are not representative for the current group due to a completely different equity structure before the merger between Cloetta and Leaf.
2) Comparative figures have been restated due to a change in the definition of the cash conversion.
3) Cloetta has entered into long-term forward contracts to repurchase own shares in order to fulfill 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 contracts to repurchase own shares. The contracts cover a total of 2,567,610 (2,137,610) shares. One contract covers 937,610 (937,610) shares for an amount of SEK 18.50678 (18.50678) per share, one contract covers 1,200,000 (1,200,000) shares for an amount of SEK 23.00000 (23.00000) per share and the last contract covers 430,000 (–) shares for an amount of SEK 26.40000 (–) per share.
4) The number of shares for the year 2011 has been restated for the rights issue.

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.
Margins	
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.
Operating profit margin, adjusted	Operating profit, adjusted for one-off items, as a percentage of net sales.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.
Return	
Cash conversion	Operating profit, adjusted for one-off items, before depreciation and amortization less capital expenditures as a percentage of operating profit, adjusted for one-off items, before depreciation and amortization.
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 facilities, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/EBITDA	Net debt/EBITDA according to the definition in the credit facility agreement. The difference between net debt in the credit facility agreement and the external net debt definition is that the definition in the credit facility agreement includes the minimum contingent earn-out considerations but excludes financial derivative instruments. The definition of EBITDA in the credit facility agreement corresponds to operating profit, adjusted, before depreciation and amortization, and includes the rolling twelve-month EBITDA of acquired companies.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.
Data per share	
Earnings per share	Profit for the period divided by the average number of shares.
Other definitions	
EBIT	Operating profit consists of comprehensive income before net financial items and income tax.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.
One-off items	One-off items are items such as restructurings and impact from acquisitions.
Operating profit, adjusted	Operating profit adjusted for one-off items.
EBITDA	Operating profit before depreciation and amortization.
EBITDA, adjusted	Operating profit, adjusted for one-off items, before depreciation and amortization.

Glossary

BRC Global Standards for Food Safety	A leading safety and quality certification programme. Many European and global retailers will only consider business with suppliers who have gained certification to the BRC Global Standard.
Contract manufacturing	Manufacturing of external brands, i.e. insourcing production of products from external parties.
GRI Global Reporting Initiative	A network-based organization 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.
ISO 9001 and ISO 14001	International Organization for Standardization. ISO 9001 addresses quality management and ISO 140001 addresses environmental management.
OHSAS 18001	International occupational health and safety management system specification.
Polyols	Sugar alcohols that resemble sugar and are used as sweeteners.
Pick-and-mix concept	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.
UTZ	Certified standards for sustainable farming with a number of social and environmental criteria.

Cloetta's history filled with legendary brands

The Cloetta brothers

In 1862 the three Swiss Cloetta brothers, Bernard, Christoffer and Nutin Cloetta, 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.

1800s

Cloetta's oldest brands date from the 1800s

In 1836 Sperlari is launched in Italy, and in 1878 Venco is launched in the Netherlands.

1900–1910

1900–1913, industrialization can be exploited

Electrification and railway construction accelerate the pace of industrialization, a critical enabler for businesses like the Swedish companies Ahlgrens and Cloetta, which are active in industrial production of confectionery. Läkerol is launched in 1909 and Guldnougat in 1913. Läkerol is also launched in Denmark in 1910 and Norway in 1912. In the Netherlands, the pastille brand King is launched in 1902.

1920

The roaring twenties

The confectionery industry grows after the war. The slogan "Choose right – choose Cloetta" is created in 1921. In 1928 Sisu is launched in Finland, Red Band in the Netherlands and Tarragona in Sweden.

1930–1940

The 1930–40s, launch of strong brands

Malaco (Malmö Lakrits Compani) is founded in 1934 during the period between the two world wars. Sportlunch (then called Mellanmål) is launched in 1937, as was Saila in Italy. Kexchoklad is introduced in 1938 and Center in 1941. Plopp is launched after WWII in 1949.

1950–1960

1950–60s – an interest in the USA and cars

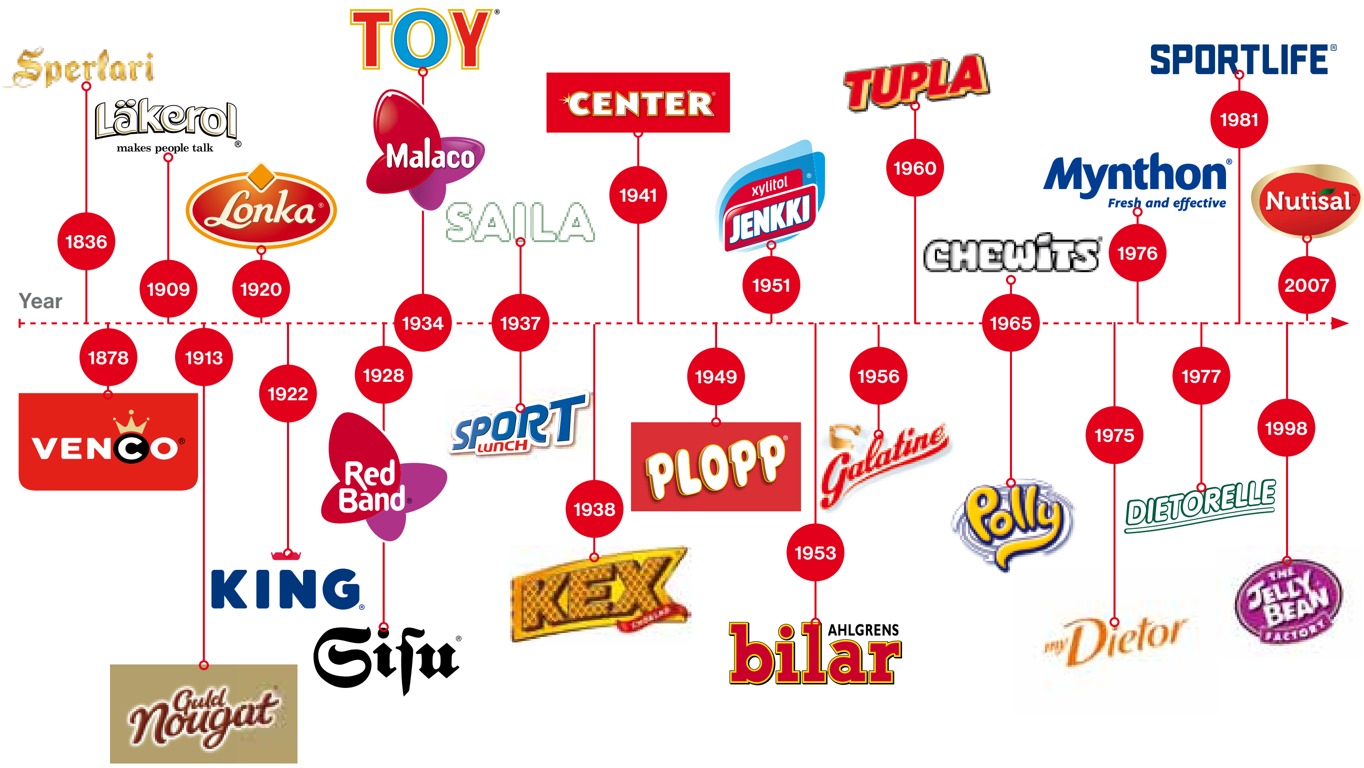
The chewing gum Jenkki (Yankee) was launched in Finland in 1951.

Ahlgrens bilar – the world's best-selling car, was launched in 1953 with Italian Bugatti as its inspiration.

In Italy, Galatine is launched in 1956 as a candy for children.

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.

Strong brands with a long tradition



1970

1970s – fresh and healthy

In 1975, the world's first chewing gum with xylitol is launched by Jenkki in Finland. The Mynthon pastille is introduced in Finland in 1976.

In 1977 Dietorelle launches sugar-free confectionery in Italy, and in 1979 the sweetener Dietor is launched in Italy.

In Sweden, the mixed candy bag Gott&blandat is launched in response to the growing popularity of pick-and-mix.

1980

1980s, more chewing gum

In 1981 Sportlife is launched as the first chewing gum in "blister" packaging. In the Netherlands, the country's first chewing gum with 100 per cent xylitol, Xylifresh, is launched in 1988.

1990

1990s – consolidation of the industry

CSM, a Dutch sugar and food products company, acquires Red Band in 1986. Leaf acquires Ahlgrens (with Läkerol and Ahlgrens bilar) in 1993, CSM acquires Malaco in 1997, Cloetta acquires Candelia (with Polly and Bridgeblandning) in 1998 and CSM acquires Leaf in 1999. Cloetta's share is listed on the Stockholm Stock Exchange in 1994.

2000

2000s – new groups formed

During the period from 2000 to 2009, Cloetta is part of the Cloetta Fazer group. After the demerger in 2009, the independent Cloetta is relisted on NASDAQ OM Stockholm. In 2000 CSM acquires Continental Sweets and thereby strengthens its position primarily in France and Belgium, but also in the Netherlands and the UK. In 2001 CSM acquires Socalbe in Italy (with Dietorelle and Dietor). In 2005 CVC and Nordic Capital acquire CSM's confectionery division and changes its name to Leaf.

2010–

2010s – Cloetta grows

Cloetta and Leaf are merged in 2012. In 2014 Cloetta acquires Nutisal, a leading Swedish company that roasts and sells dry roasted nuts.

In the same year Cloetta acquires The Jelly Bean Factory, which produces gourmet jellybeans with the main market in the UK.

In 2015 Cloetta acquired Lonka, a Dutch company that produces and sells fudge, soft nougat and chocolate.

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Cloetta reports in accordance with the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines, G4, Core. Cloetta's sustainability reporting covers all of its operations. The most recent sustainability report was presented on 12 March 2015. The table of contents below contains all standard disclosures and those indicators that have been identified as the most relevant in view of Cloetta's long-term sustainability targets. The indicators and other contents of the sustainability reporting have been selected based on Cloetta's materiality analysis on page 41. The focus of Cloetta's sustainability work and therefore also the reporting is on the well-being of employees and consumers, reduced environmental impact and sustainable sourcing. The key performance indicators have been collected with the help of internal reporting systems. Cloetta has not has the sustainability report reviewed by an external party.

Contact for sustainability information

Thomas Wiesgickl
Director Corporate Responsibility
Telephone: +46 73 026 16 33
thomas.wiesgickl@cloetta.se

Membership of organizations

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.

Bonsucro

- With more than 400 members from 32 countries that represent all parts of the delivery chain, Bonsucro is an organization that has the resources to realize its vision: "A sugarcane sector that is continuously improving and verified as sustainable".

Global Shea Alliance

- The GSA is a nonprofit organization that promotes sustainability in the shea industry. The GSA's mission is to design, develop and propose strategies that provide a foundation for a competitive and sustainable shea industry worldwide, and to support and empower the rural African women and their communities.

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.

Shareholder information

Financial calendar

2016

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC

- Interim report Q4 18 February 2016
- Annual Report 10 March 2016
- Annual General Meeting in Stockholm 12 April 2016
- Interim report Q1 21 April 2016
- Interim report Q2 15 July 2016
- Interim report Q3 27 October 2016

Shareholder contact

Jacob Broberg, Senior Vice President Corporate Communications and Investor Relations, +46 70 190 00 33, jacob.broberg@cloetta.com or ir@cloetta.com

Danko Maras, CFO, +46 8 527 288 00.

Annual General Meeting

The Annual General Meeting of Cloetta AB (publ) will be held on Tuesday, 12 April 2016, at 4:00 p.m., at Norra Latin in Stockholm. The Notice of the Annual General Meeting will be published in mid-March 2016 and will also be posted on www.cloetta.com.

Registration

Registration to participate in the AGM must be received by the company no later than Wednesday, 6 April 2016.

Mail: Cloetta AB
"Annual General Meeting"
Box 7841
SE-103 98 Stockholm, Sweden

Telephone: +46 8 402 92 85

Website: www.cloetta.com/agm2016

E-mail: susanne.beijar@cloetta.com

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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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 13 production units in six countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

Cloetta AB (publ) • Corp. ID no. 556308-8144 • Kista Science Tower, SE-164 51 Kista, Sweden.
Tel +46 8-52 72 88 00 • www.cloetta.com