

Minutes kept at the Annual General Meeting of shareholders in Cloetta AB (publ), 556308-8144, on Thursday 2 April 2020, at 3.00 pm-3.50 pm at Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4 in Stockholm

§ 1 Opening of the meeting (item 1 on the agenda)

The chairman of the board, Lilian Fossum Biner, welcomed the shareholders to the Annual General Meeting and declared the meeting open.

§ 2 Election of the chairman of the meeting (item 2 on the agenda)

The meeting resolved to elect the lawyer Fredrik Lundén as chairman of the meeting in accordance with the proposal by the nomination committee. The chairman informed that the associate Elin Ljungström had been asked to keep the minutes at the meeting and that audio or video recording was not permitted.

The meeting resolved that some necessary functionaries and employees in the company were entitled to attend the meeting.

It was noted that the chairman of the board and the CEO were present at the meeting and that the other members of the board and the company's auditor in charge were present through a telephone link.

§ 3 Drawing up and approval of voting list (item 3 on the agenda)

The attached list of present shareholders, Appendix 1, was approved to serve as voting list for the meeting.

The chairman informed that a number of foreign funds that were represented at the meeting had, in advance of the meeting, informed Cloetta of their voting instructions regarding certain of the proposed resolutions. Furthermore, the chairman informed that the voting instructions were available for review at the meeting, if any shareholder so requested, and that votes against and abstain would only be recorded in the minutes if they would be relevant for the resolutions.

§ 4 Approval of the agenda (item 4 on the agenda)

The meeting resolved to approve the board's proposed agenda for the meeting, which had been included in the notice to the meeting.

The annual report, the consolidated financial statements, the auditor's report and the consolidated report for the financial year 2019, and the statements of the board and the nomination committee, which had been held available in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, were presented.

§ 5 Election of two persons to verify the minutes (item 5 on the agenda)

The meeting resolved that the minutes of the meeting would be approved, in addition to by the chairman, by Cornelia Berggren and Phillip Curry, who both attended the meeting on behalf of a number of foreign funds.

§ 6 Determination as to whether the meeting had been duly convened (item 6 on the agenda)

It was noted that notice to the meeting had been given within the period stated in the Articles of Association. The meeting resolved to approve the notice procedure and declared the meeting duly convened.

§ 7 Presentation of the annual report and the auditor's report and the consolidated financial statements and the consolidated audit report for the preceding financial year (item 7 on the agenda)

The chairman found that the annual report, the consolidated financial statements and the auditor's report for the parent company and the group for the financial year 2019 had been presented.

The company's auditor in charge, Sofia Götmar-Blomstedt, PwC, presented the conclusions made in the auditor's report.

§ 8 Report by the chairman of the board on the work of the board (item 8 on the agenda)

The chairman of the board, Lilian Fossum Biner, gave a brief presentation of the work of the board during the preceding financial year and commented on the updated proposal for dividend.

§ 9 Presentation by the CEO (item 9 on the agenda)

The CEO of the company Henri de Sauvage-Nolting accounted in brief for Cloetta's business and its development during the preceding financial year and also briefly commented on the company's work in response to the spread of the coronavirus.

Henri de Sauvage-Nolting thereafter answered a question from a shareholder regarding whether Cloetta's access to, and purchase of, supplies is adversely affected by the spread of the coronavirus.

§ 10 Resolution on adoption of the income statement and the balance sheet as well as the consolidated income statement and consolidated balance sheet (item 10 on the agenda)

The meeting resolved to adopt the income statement and the balance sheet included in the annual report for the parent company and the consolidated income statement and the consolidated balance sheet for the consolidated group for the financial year 2019.

§ 11 Resolution on disposition of the company's earnings according to the approved balance sheet, and record day for any dividend (item 11 on the agenda)

The meeting resolved, in accordance with the proposal by the board, that the earnings at the disposal of the annual general meeting, a total of SEK 1,764,226,166 are carried forward.

§ 12 Resolution on discharge from personal liability of the directors and the CEO (item 12 on the agenda)

It was resolved to discharge the directors and the CEO from liability for the management of the company's business during the preceding financial year 1 January – 31 December 2019.

It was noted that the CEO and those directors who were also present in their capacity as shareholders or representatives of shareholders did not participate in the resolution and that the resolution was supported by all shareholders present, except for shareholders representing 187,700 shares and an equal number of votes and shareholders representing 749,404 shares and an equal number of votes, who had informed in advance that they would vote against or abstain from voting.

§ 13 Resolution on the number of directors (item 13 on the agenda)

The meeting resolved, in accordance with the proposals by the nomination committee that the number of directors elected by the meeting shall be seven with no deputies.

§ 14 Resolution on remuneration to be paid to the directors and to the auditor (item 14 on the agenda)

The meeting resolved in accordance with the proposals by the nomination committee that the fees shall remain unchanged. This means that the chairman of the board shall receive remuneration in the amount of SEK 685,000 and the other directors appointed by the meeting shall receive SEK 315,000 each. Remuneration for work on the board's committee's shall be payable with SEK 100,000 to each member of the audit committee and with SEK 150,000 to the chairman of the audit committee and with SEK 100,000 to the members of the remuneration committee and with SEK 150,000 to the chairman of the remuneration committee. It was noted that the total remuneration to the directors appointed by the meeting, including for committee work, amounts to SEK 3,275,000 (unchanged).

Furthermore, the meeting resolved in accordance with the proposal by the nomination committee that remuneration to the auditors shall be paid in accordance with approved invoices.

§ 15 Resolution on election of directors (item 15 on the agenda)

The chairman informed about the assignments that the proposed directors hold in other companies. The meeting thereafter resolved in accordance with the nomination committee's proposals to re-elect Mikael Aru, Patrick Bergander, Lottie Knutson, Alan McLean Raleigh, Camilla Svenfelt and Mikael Svenfelt as directors of the board and to elect Mikael Norman as new director of the board. Lilian Fossum Biner had declined re-election.

The chairman informed that the employee trade unions have elected Lena Grönedal and Mikael Ström as employee directors of the board and Shahram Nikpour Badr and Christina Lönnborn as deputy directors.

§ 16 Resolution on election of the chairman of the board (item 16 on the agenda)

The meeting resolved in accordance with the nomination committee's proposal to elect Mikael Norman as new chairman of the board.

§ 17 Resolution on election of auditor (item 17 on the agenda)

The meeting resolved in accordance with the nomination committee's proposal, and in accordance with the audit committee's recommendation, to re-elect the registered public accounting firm Öhrlings PricewaterhouseCoopers AB to be the company's auditor until the end of the next annual general meeting. It was noted that Sofia Götmar-Blomstedt will continue as the auditor in charge.

§ 18 Proposal regarding rules for the nomination committee (item 18 on the agenda)

The nomination committee's proposal regarding rules for the nomination committee which were unchanged from the previous year, was presented in accordance with [Appendix 2](#).

The meeting resolved in accordance with the proposal by the nomination committee regarding rules for the nomination committee.

§ 19 Proposal regarding guidelines for remuneration to the executive management (item 19 on the agenda)

The proposal by the board regarding guidelines for remuneration to the executive management was presented in accordance with [Appendix 3](#).

The meeting resolved to adopt guidelines for remuneration to the executive management in accordance with the proposal by the board.

§ 20 Proposal regarding long term share based incentive plan (LTI 2020) (item 20 on the agenda)

The board's proposal regarding a long term share based incentive plan, was presented in accordance with [Appendix 4](#).

The meeting resolved on a long term share based incentive plan in accordance with the board's proposal.

§ 21 Resolution on amendments to the articles of association (item 21 on the agenda)

The meeting resolved in accordance with the board's proposal to amend article 1 in the Swedish version of the articles of association so that "firma" is replaced with "företagsnamn", article 7 of the articles of association so that the article, due to anticipated upcoming legislative changes, not stipulates on which date the record date shall be, and article 9 of the articles of association so that the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479) is named correctly.

§ 22 Closing of the meeting (item 22 on the agenda)

Mikael Svenfelt, board member as well as representative for AB Malfors Promotor at the annual general meeting, thanked the resigning chairman of the board, Lilian Fossum Biner, for her valuable efforts during several years as chairman of the board. Lilian Fossum Biner expressed her gratitude to Cloetta's board, management and employees.

The chairman thereafter noted that no further matters were on the agenda and declared the meeting closed.

At the minutes:

Elin Ljungström

Minutes approved by:

Fredrik Lundén

Cornelia Berggren

Phillip Curry

Proposal regarding rules for the nomination committee

The nomination committee proposes the following.

1. The company shall have a nomination committee consisting of not less than four and not more than six members. Three of the members shall be appointed by the major shareholders and one member shall be appointed by the Board of Directors amongst its directors. These members of the nomination committee may appoint one additional member. In those cases referred to in item 6 below, the number of members can amount to six.
2. Based on ownership register received as per 31 July, the chairman of the board shall each year, without delay, contact the three largest shareholders in the company in terms of votes, and offer such shareholders to, within reasonable time, each appoint a representative to be part of the nomination committee. If any of these shareholders elects to renounce from its right to appoint a representative, the right to appoint a representative shall be transferred to the largest shareholder in turn in terms of votes which is not already entitled to be represented on the nomination committee. The nomination committee shall not include a representative of a shareholder that itself or through others conducts competing activities with the group.
3. The member of the nomination committee who represents the shareholder controlling the largest number of votes shall chair the nomination committee.
4. The members of the nomination committee are appointed for a term up until a new nomination committee has been appointed.
5. The composition of the nomination committee shall be announced as soon as the nomination committee has been formed and in all events no later than 30 September the year before the next Annual General Meeting.
6. In the event that the ownership structure of the company is changed after 31 July and not later than 31 December the year before the next Annual General Meeting, and if a shareholder that has become one of the three largest shareholders in terms of votes following this change asks the chairman of the nomination committee to be represented on the nomination committee, such shareholder is entitled to, in the nomination committee's discretion, either appoint an additional member to the nomination committee or to replace the member who represents, following the change of the ownership structure, the smallest shareholder in terms of votes.
7. If a member of the nomination committee that represent a shareholder resigns or otherwise is unable to continue as member, the nomination committee shall – if time allows and if the change is not due to a specific circumstance e.g. that the shareholder has sold its shares – request the shareholder that had appointed that member to, within reasonable time, appoint a new member of the nomination committee. If the shareholder is no longer eligible for the nomination committee or if it renounces its right to appoint a member, the right to appoint such new member shall be transferred to the largest shareholder in turn in terms of votes which is not already represented on, or has renounced its right to appoint a member to, the nomination committee. If a member that has been appointed by the other members of the nomination committee resigns or is otherwise unable to continue as member, the other members of the nomination committee may elect a new member.

8. The members of the nomination committee are not to receive any remuneration from the company. However, the company shall be liable for costs incurred by the nomination committee in its work.
9. The nomination committee shall present proposals regarding
 - Chairman of the Annual General Meeting
 - Number of members of the Board of Directors
 - Members of the Board of Directors to be elected by the Annual General Meeting
 - Chairman of the Board of Directors
 - Remuneration to the Board of Directors elected by the Annual General Meeting, distributed
 - between the chairman of the board, the deputy chairman of the board, if any, and the other
 - members of the Board of Directors, and remuneration for work on the committees
 - Remuneration to the auditor
 - Election of auditor
 - Rules for the nomination committee.
10. At shareholders' meetings other than the Annual General Meeting, the nomination committee shall submit proposals for elections, if any, to take place at such shareholders' meeting.

PROPOSAL BY THE BOARD OF DIRECTORS OF CLOETTA AB (PUBL) REGARDING GUIDELINES FOR REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board of Directors proposes that the meeting resolves to adopt the following guidelines for remuneration payable to the executive management to be in force until further notice, however no longer than until the Annual General Meeting 2024. The guidelines cover the CEO and the other members of Cloetta's executive management. These guidelines apply to agreements concluded, and amendments made to existing agreements, after the guidelines have been adopted by the Annual General Meeting 2020. The guidelines do not apply to remuneration which is resolved upon by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability Cloetta's business strategy involves, inter alia, to strengthen the company's position as the leading confectionery company in North-western Europe. In order to achieve this, the company is working to grow sales, especially organically, and to further improve the profitability on the company's main markets; Sweden, Finland, the Netherlands, Denmark, the UK, Norway and Germany. It is essential for Cloetta to create an incentive for the executive management team to drive commitment, forward thinking and activities that drive sales and strengthen Cloetta's brands in a way which is sustainable in the long-term. The remuneration to the executive management shall ensure that Cloetta can recruit and retain qualified employees and that the executive management team has the right focus and that right behaviours are encouraged. The types of remuneration shall be in line with market practice and competitive based on the conditions on the markets where Cloetta operates and shall be designed in a way that motivate the members of the executive management team to do their utmost to create shareholder value. For more information about the company's business strategy, refer to the company's website www.cloetta.com.

Types of remuneration, etc.

The remuneration to the executive management may comprise a fixed and a variable part as well as pension benefits and other benefits. In addition thereto, the general meeting may, and irrespective of these guidelines, resolve upon, for example, share-based and share price-based remuneration, so called incentive plans. The purpose of the incentive plans shall be to increase the value for the group's shareholders by promoting and maintaining the executive management team's and senior managers' commitment for the group's development, and thereby align the interests of the executive management team and key employees with the shareholders' in order to ensure maximum long-term value creation. The plans are distinctly linked to the business strategy and thereby to sustainability as well as the company's long-term value creation through the defined performance targets.

Any variable salary shall be limited to the equivalent of one fixed annual salary.

The variable salary shall be linked, directly or indirectly, to the achievement of the financial targets set by Cloetta's Board of Directors, which relate to organic sales growth and EBIT margin. The targets shall be measured in relation to the development of the entire group or be linked to the development of e.g. a region or otherwise to the executive's area of responsibility. Variable salary shall generally be paid based on performance over a period of twelve months (the calendar year) and shall be based on the company's most recently published financial information. Variable salary shall only be paid if the profit for the year exceeds the previous year's profit. Cloetta's Board of Directors is responsible for assessing the outcome in relation to variable salary to the CEO. In relation to variable salary to the

other members of the executive management team, the CEO is responsible for assessing the outcome which shall be confirmed by the remuneration committee.

Pension benefits may vary depending on agreements and practices in the country where the individual is employed. Defined contribution pension benefits are strived for. Swedish executives' pension terms shall comply with or correspond to, and thus be limited to, general pension plan in accordance with the ITP plan¹ in relation to the executives who are covered by collective bargaining agreements. The executives who are not covered by collective bargaining agreements shall have the right to defined contribution pension provisions amounting to no more than 30 per cent of the fixed annual cash salary. The company's CEO shall have the right to defined contribution pension provisions amounting to no more than 30 per cent of the fixed annual cash salary. Variable salary and other benefits shall not be pension-qualifying unless otherwise provided by law or collective bargaining agreements. In addition to the pension provisions stated above, Swedish executives have the right to exchange salary for additional pension provisions provided that it is cost neutral for Cloetta. For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted in order to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. Pension provisions for executives whose employments are governed by rules other than Swedish may however not exceed 30 per cent of the fixed annual cash salary.

The executive management's non-monetary benefits shall facilitate the executives' work and correspond to what can be considered reasonable in relation to practices on the market where the relevant executive operates. Such other benefits shall correspond to not more than 15 per cent of the fixed salary.

For executives who are stationed outside their place of residence for a period of time, the value of the benefits in total may not exceed 25 per cent of the fixed salary in order to facilitate the executive's work. In addition, in connection with the transition to work in another place, one-off benefits of a maximum of 15 per cent of the fixed salary may be paid, for example for costs relating to moving.

Termination of employment

Upon termination of employment agreements by Cloetta, the notice period shall not exceed twelve months, and any severance pay may not exceed one fixed annual salary in addition to the notice period.² Upon termination made by the executive, a notice period of not more than six months shall apply, or any longer notice period which follows from statute and general principles of law. Severance pay shall not be paid upon terminations made by the executive.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines for remuneration, salary and employment conditions for the company's employees have been taken into account by including information on the employees' total income, the components of the remuneration as well as the

¹ One of Cloetta's executives has a certain agreement regarding early retirement in addition to benefits under the ITP plan; an agreement which was entered into by Leaf Sverige AB, which Cloetta acquired in 2012. Due to this early retirement agreement, the pension provisions for the relevant executive may exceed 35 per cent of the fixed annual cash salary.

² One of the executives have an employment agreement that entitles to severance payment exceeding twelve months' salaries, in accordance with an agreement entered into by Leaf International B.V., which Cloetta acquired in 2012.

increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the executive management team as well as any deviations from the guidelines. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and present the proposal for a resolution by the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate plans for variable remuneration to the executive management team, the application of the guidelines for remuneration to the executive management team as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent in relation to the company and the executive management team. In the Board of Directors' work regarding remuneration-related matters, the CEO of the company and the other members of the executive management are not present in so far as the questions concern their own remuneration.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines set out above, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. If the Board of Directors deviates from the guidelines for remuneration to the executive management team this shall be reported in the remuneration report to the upcoming Annual General Meeting.

PROPOSAL BY THE BOARD OF DIRECTORS OF CLOETTA AB (PUBL) REGARDING A LONG-TERM SHARE-BASED INCENTIVE PLAN (LTI 2020)

The Board of Directors proposes that the Annual General Meeting resolves on a long-term share-based incentive plan (LTI 2020) for Cloetta AB (publ) ("Cloetta") as follows.

LTI 2020 in brief

The Board of Directors proposes a long-term share-based incentive plan for 2020 with the same structure as previous year. The main motive for LTI 2020 is to align the interests of the executive management team and key employees with the shareholders' in order to ensure maximum long-term value creation. Similar to last year's long-term share-based incentive plan, LTI 2020 will incentivise a group-wide focus for the participants on increased profit and growth. The incentive plan is also important for Cloetta to be able to recruit and retain senior employees.

LTI 2020 comprises 45 employees as a maximum, consisting of the executive management team and other senior managers. To participate in LTI 2020, a personal shareholding in Cloetta is required. Following a defined vesting period, the participants will be allocated B-shares in Cloetta free of charge provided that certain conditions are fulfilled. In order for the participant to receive B-shares in Cloetta, continued employment with Cloetta is required and that the personal shareholding in Cloetta for LTI 2020 has been unchanged during the same time period. Allocation of B-shares requires, in addition, that certain performance targets related to Cloetta's EBIT and net sales value (organic growth) have been met. The maximum number of B-shares in Cloetta which may be allocated under LTI 2020 shall be limited to 1,206,374 representing approximately 0.4 per cent of the total number of outstanding shares and 0.4 per cent of the total number of outstanding votes.

Participants in LTI 2020

LTI 2020 comprises up to 45 employees as a maximum, consisting of the executive management team and senior managers within the Cloetta group, divided into three categories. These employees are considered to have a large impact on the results of Cloetta. The first category comprises the CEO and the other ten members of the executive management team, the second category comprises of up to nine senior managers, who belongs to a certain management level. The third category comprises of up to 25 senior managers, consisting of individuals who have a certain other employment level.

Personal shareholding, grant of performance share rights and vesting period

To participate in LTI 2020, the participant must have a personal shareholding in Cloetta ("Investment Shares") and that those shares are allocated to LTI 2020. The Investment Shares may be acquired specifically for purposes of LTI 2020, or be shares already held by the participant, provided that these have not been allocated to the previous incentive plans. The CEO and the executive management team may as a maximum invest 12 per cent of the participant's fixed annual salary for 2019 before tax, the participants in the second category may as a maximum invest 10 per cent of the participant's fixed annual salary for 2019 before tax, and the participants in the third category may as a maximum invest 8 per cent of the participant's fixed annual salary for 2019 before tax in LTI 2020.

For the first category of participants, each Investment Share gives entitlement to six and a half (6.5) performance share rights. For the second category, each Investment Share gives entitlement to five (5) performance share rights. For the third category, each Investment Share gives entitlement to three and a half (3.5) performance share rights. The performance share rights will be granted to the

participant following the Annual General Meeting 2020 in connection with, or shortly after, an agreement is made between the participant and Cloetta concerning participation in LTI 2020.

Terms for the performance share rights

For the performance share rights the following conditions apply:

- The performance share rights are granted free of charge.
- The participants are not entitled to transfer, pledge or dispose of the performance share rights or perform any shareholders' rights regarding the performance share rights during the vesting period.
- Allocation of B-shares shall normally take place within two weeks after announcement of Cloetta's interim report for the first quarter of 2023.
- Allocation of B-shares based on performance share right is conditional upon that the participant remains employed within the Cloetta Group until the announcement of Cloetta's interim report for the first quarter of 2023, and also not before that terminated her or his employment, been made redundant or dismissed and that the participant continues to hold all the Investment Shares. Allocation of B-shares on the basis of performance share rights requires, in addition, fulfilment of performance targets.
- Cloetta will not compensate the participants in the plan for dividends made in respect of the shares that the respective performance share right qualifies for.

Performance targets

The performance share rights are divided into Series A and Series B according to the different performance targets that LTI 2020 includes and that drive long-term value for Cloetta. Of each participant's allocation of performance share rights shall one (1) be of Series A and the rest of the performance share rights shall be of Series B.

Series A Allocation shall be made if Cloetta's average annual EBIT level for 2020-2022 is at least SEK 1 million higher than the EBIT level for 2019.

Series B The Board of Directors has established a minimum level and a maximum level for the performance target. The maximum level, which entitles to full allocation, is that Cloetta's compounded net sales value is at least 2 per cent annually for 2020-2022 and that Cloetta's EBIT margin for 2022 is at least 14 per cent. The minimum level is a compounded net sales value that is at least 0 per cent annually for 2020-2022 and an EBIT margin that is at least 11.6 per cent for 2022. Where the level of fulfilment is between the minimum and maximum levels, allocation will occur on a linear basis, whereby both the performance target linked to the average increase in the company's net sales value and the target linked to Cloetta's EBIT margin are given equal importance in terms of entitling the participant to B-shares.³

Formulation and administration

The Board of Directors, or a specific committee appointed by the Board of Directors, shall be responsible for the formulation and administration of LTI 2020, and the terms that will apply between Cloetta and the participant in the plan, within the scope of the terms and directions set out herein. In connection therewith, the Board of Directors shall be authorised to establish divergent terms for the plan regarding inter alia the vesting period and allocation of Cloetta shares in the event of termination of employment during the vesting period as a result of e.g. early retirement. The Board of Directors shall be authorised to make the necessary adjustments to fulfil specific rules or market prerequisites

³ For the purpose of determining the level of fulfilment of the performance targets, Cloetta's EBIT and net sales value will be adjusted so to be unaffected by structural changes such as acquisitions and divestures as well as extra ordinary items.

in other jurisdictions. In the event that the delivery of shares to persons outside of Sweden cannot be achieved at reasonable cost and with reasonable administrative efforts, the Board of Directors may decide that the participating person may instead be offered cash-based settlement. Before the number of shares which shall be allocated in accordance with the performance share rights is finally determined, the Board of Directors shall assess if the outcome of LTI 2020 is reasonable. This assessment shall be made in relation to Cloetta's financial results and position, the conditions on the share market and otherwise. If, in this assessment, the Board of Directors finds that the outcome is not reasonable, the Board of Directors shall reduce the number of shares which shall be allocated.

Scope

As a maximum, 1,206,374 B-shares in Cloetta can be allocated to the participants under LTI 2020, which represents approximately 0.4 per cent of all shares and 0.4 per cent of all votes in the company. The number of B-shares included in LTI 2020 shall, under conditions that the Board of Directors stipulates, be subject to recalculation where Cloetta implements a bonus issue, a share split or a reverse share split, a rights issue or similar measures, taking into account customary practice for similar incentive plans.

Hedging

Cloetta will enter into a share swap agreement with a bank, whereby the bank shall be able to in its own name acquire and transfer shares to the participants in order to fulfill Cloetta's obligation to deliver shares under the plan. Such a share swap agreement with a bank may also be used for the purpose to cover social security fees that accrue under LTI 2020.

Estimated costs and value of LTI 2020

The performance share rights cannot be pledged or transferred to others, but an estimated value for each right can be calculated. The Board of Directors has estimated that the value of each performance share right is SEK 31.46. This estimate is based, inter alia, on the closing price for the Cloetta share on 18 February 2020. Based on the assumption that all persons who have been offered participation in the plan participate, that they make the maximum investment, that there is a 100 per cent fulfilment of the performance targets, that they continue as employees of Cloetta, the aggregate estimated value of the performance share rights is approximately SEK 38 million. This value is equivalent to approximately 0.4 per cent of the market capitalisation for Cloetta as of 18 February, 2020. Historic performance for earlier Cloetta long-term share incentive plans shows an average pay out of 22 per cent of the maximum number of shares.

The costs are treated as personnel expenses in the profit and loss accounts during the vesting period, in accordance with IFRS 2 on share-based payments. In the profit and loss accounts, social security costs will accrue in accordance with UFR 7 over the vesting period. The size of these costs will be calculated based on the Cloetta share price development during the vesting period and allocation of the performance share rights. Based on the assumptions stated above and a constant share price during the plan, and a vesting period of three (3) years, the total cost of LTI 2020 including social security costs is estimated to amount to approximately SEK 43 million which on an annual basis is approximately 1.1 per cent of Cloetta's total personnel expenses during the financial year 2019. LTI 2020 has no limitation on maximum profits per performance share right for the participants and therefore no maximum social security costs can be calculated as it depends on the share price.

The interest cost for the equity swap is estimated to amount to approximately SEK 2 million based on market conditions as of 18 February 2020 and a three-year term. In addition, the equity swap may lead

to both positive and negative cash flows, which, while not affecting the profit and loss account, will be booked directly against equity and may be recorded as debt in the balance sheet.

Effects on key ratios

In the event of full participation in LTI 2020, Cloetta's personnel expenses are expected to increase with approximately SEK 16 million annually (including social security costs). On a pro-forma basis for 2019, these costs are equal to a negative effect on Cloetta's operating margin of approximately 0.2 per cent units and a decrease of earnings per share of approximately SEK 0.06. Nevertheless, the Board of Directors considers that the positive effects on Cloetta's financial performance which are expected from an increased shareholding by the participants, and the possibility to be allocated further shares in Cloetta under the plan, outweigh the costs related to LTI 2020.

The preparation of the proposal

LTI 2020 has been initiated by the Board of Directors in Cloetta. The plan has been prepared and reviewed by the Remuneration Committee and dealt with at meetings of the Board of Directors during the beginning of 2020.

Other incentive plans in Cloetta

Please refer to Cloetta's annual and sustainability report 2019, note 23 or the company's website www.cloetta.com for a description of other share-based incentive plans in Cloetta.

The proposal by the Board of Directors

Referring to the description above, the Board of Directors proposes that the Annual General Meeting resolves on LTI 2020.

Majority requirement for LTI 2020

A resolution on LTI 2020 in accordance with the Board of Directors' proposal is valid where supported by shareholders holding more than half of the votes cast at the Annual General Meeting.