

Cloetta

Annual and Sustainability Report **2021**

*For
moments
of joy*

“A sweeter future

Cloetta's sustainability agenda, "A sweeter future", focuses on creating joy and long-lasting value For You, For People and For the Planet. The initiatives within the sustainability agenda cover topics all across the value chain where Cloetta has the ability to make an impact.



The market

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

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Fruit-based candy

Cloetta's fruit-based candy, which contains 50 per cent fruit, is a major innovation within foodtech that was launched across markets during the year under our existing local candy brand portfolio. The product delivers on key consumer trends and is an important part of Cloetta's innovation strategy to drive organic growth and profitability within the Branded packaged product segment.

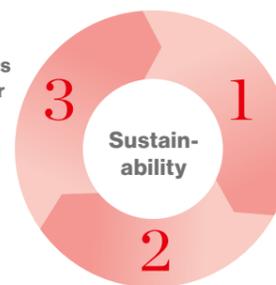
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Strategic priorities

Cloetta is a proud provider of joyful moments – our brands and products bring fun and joy to memorable occasions. We are convinced that our consumer focus is the basis for Cloetta to grow and our brands to flourish.

Lower costs and greater efficiency



Growth leadership in Branded packaged product

Sustainable value within the Pick & mix business

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Climate action

During 2021, we set our science-based targets and activated a company-wide Climate Action Programme, to address and set a target of reducing our absolute scopes 1, 2 & 3 emissions by 46 per cent by 2030, with 2019 as our baseline-year. Our ambition behind this target is to keep our footprint from contributing to a global increase in temperature beyond 1,5°C.

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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 45–124. The sustainability report consists of pages 6–7, 8–11, 20–33, 52–56, 61–62, 66, 136–142 and is limited assured by PwC. The definition of the statutory sustainability report can be found on page 51. While every care has been taken in the translation of this Annual and Sustainability Report, readers are reminded that the original Annual and Sustainability Report, signed by the Board of Directors or in European Single Electronic Format (ESEF), is in Swedish. The Annual and Sustainability Report in ESEF is published on www.cloetta.com

About Cloetta

“We believe in the Power of True Joy”

1862

Founded in

2,600

Employees

> 50

Countries

7

Factories

SEK 6.0 bn

Net sales

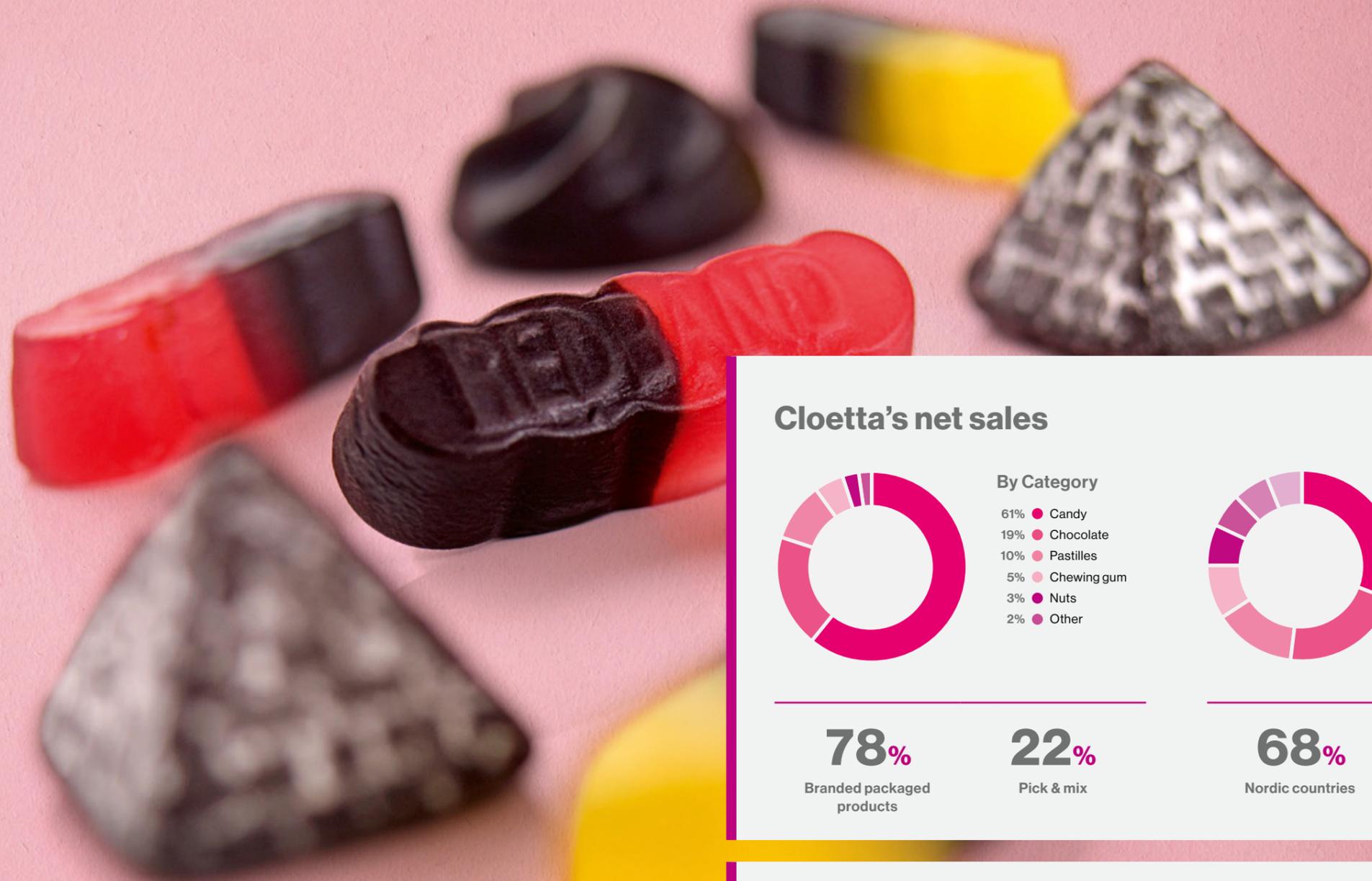
9.4%

Operating profit margin, adjusted

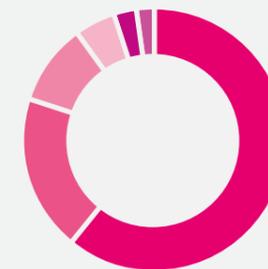
2 **22%*** Pick and mix
78%* Branded packaged products

Business segments

*) of net sales

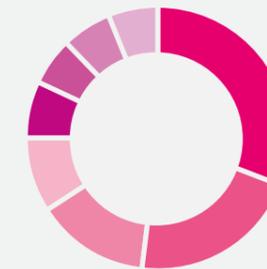


Cloetta's net sales



By Category

- 61% Candy
- 19% Chocolate
- 10% Pastilles
- 5% Chewing gum
- 3% Nuts
- 2% Other



By Country

- 31% Sweden
- 21% Finland
- 14% The Netherlands
- 9% Denmark
- 7% Norway
- 6% The UK
- 6% Germany
- 6% International Markets

78%

Branded packaged products

22%

Pick & mix

68%

Nordic countries

32%

Other

Cloetta, founded in 1862, is a leading confectionery company in Northern Europe. Our products are sold in more than 50 countries worldwide with Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK as the main markets. We own some of the strongest brands on the market, such as Läkerol, Cloetta, CandyKing, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has 7 production units in 5 countries and the company's class B-shares are traded on Nasdaq Stockholm.

2021 in brief

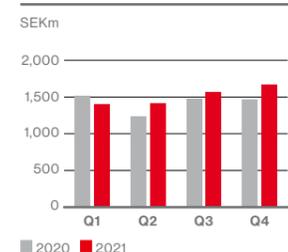


Key ratios

SEKm	2021	2020	2019	2018	2017
Net sales	6,046	5,695	6,493	6,218	5,784
Operating profit (EBIT), adjusted*	571	495	743	677	604
Operating profit margin (EBIT margin), adjusted, %*	9.4	8.7	11.4	10.9	10.4
Operating profit (EBIT)*	565	442	727	660	527
Operating profit margin (EBIT margin), %*	9.3	7.8	11.2	10.6	9.1
Profit before tax*	558	383	648	562	443
Profit/loss for the period*	472	265	498	483	-97
Earnings per share, basic and diluted, SEK*	1.64	0.92	1.74	1.69	-0.34
Net debt/EBITDA, x*	2.0	2.8	2.2	2.3	2.4
Free cash flow	664	366	538	444	555
Cash flow from operating activities*	858	641	724	628	712

*) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements.

Net sales



Free cash flow



Operating profit, adjusted



Q1

- The Board proposes a dividend of SEK 0.75 (0.50) per share.
- Several innovations launched in response to important consumer trends within foodtech, such as a focus on plant-based and natural ingredients.
- The differentiated premium offer, "CandyKing – The premium mix" introduced in Finland.



Q2

- Cloetta launches a new sustainability agenda and commits to the Science Based Targets initiative.
- Cloetta refinances the Group through its existing banks for up to four years.
- Dividend of SEK 0.75 per share is approved by the AGM and paid out.



Q3

- Cloetta resolves on the repurchase of own B-shares as part of its long-term incentive programme.
- Cloetta is voted "Supplier of the Year" by biggest customer in Norway.
- Migration of the ERP system to the cloud is completed, delivering savings and enhanced functionality.



Q4

- Targets to the Science Based Targets initiative are submitted for validation.
- Cloetta's largest-ever CandyKing media campaign is rolled out for Halloween celebrations across all Scandinavian markets.
- Launch of company-wide Climate Action Programme.



Impacts from Covid-19 during 2021

The Covid-19-related restrictions continued to affect Cloetta's sales channels and consumer behaviours. While we saw an increased demand for Branded packaged products from grocery stores and online sales compared to before the pandemic, many of the other sales channels, such as convenience stores and travel retail, had a reduced number of shoppers. Additionally, we saw lower

sales of impulse purchases, including high-margin products such as pastilles and chewing gum. Sales of Pick & mix continued to be impacted negatively during the pandemic due to lower in-store activation and a lower demand from consumers. So far, we have avoided any material disruptions in our supply chain and managed to maintain business continuity effectively.

Words from the President

A year of rebound in sales and improved profitability

How would you summarise the year 2021?

In short, I would say that we managed to deliver a bounce back from 2020 – thanks to hard work, strong marketing initiatives and our focus on innovation and brand development.

I was particularly pleased to see that we were successful in our efforts to bring organic sales of Branded packaged products to above 2019 levels. This was achieved mainly through successful marketing, strategic innovations, such as fruit-based candy and Kexchoklad Vegan, as well as a further focus on sales fundamentals. I was also delighted to see that our actions taken in the Pick & mix business during the year yielded results, where our margin-enhancing initiatives brought the segment close to break-even for the full year.

What was the most important or satisfying achievement during the year?

In general, I would say that the most satisfying achievements during the year were the enormous efforts made by all our people to facilitate this bounce back. This was made possible by a strong commitment and hard work by colleagues in all areas within the organisation and across the markets where we operate.

For the long-term, it was definitely the launch of Cloetta's more ambitious sustainability agenda, "A Sweeter Future". It will be the base of our business and change our way of working in the coming years.

What is the most important part of the upgraded sustainability agenda?

We have set ambitious Science Based Targets to reduce our greenhouse emissions across all three scopes. Our Climate Action Programme activates teams across the organisation to work towards our emissions reduction target of 46 per cent by 2030.

We also have a responsibility to be prepared for future demands and to evaluate new paths, including packaging, products with less or no sugar, fulfilling demand for transparency and portion control among other things.

Our more ambitious sustainability agenda will be the base of our business and change our way of working in the coming years.

Any specific event during the year that speaks to what Cloetta represents?

I believe Cloetta has a strong corporate culture. We conducted a big employee survey during the year and recorded very good scores, despite that this was done during the pandemic when we had challenges in our factories.

Another specific moment in the business was the extensive work on our company's values that engaged more than 60 people digitally, where people around the world

attended from their home offices simultaneously. It was encouraging to see how each and everyone contributed as One Cloetta.

Any specific joyful moments during the year?

The Halloween media campaign that the Pick & mix team launched with the video on demand service SF Anytime. I was proud of our people who put that together through hard work. It moved me to see the result after extraordinary efforts.

From a personal point of view, a joyful moment was in September when the whole Group Management Team of Cloetta met for the first time in 1.5 years. It showed the importance of meeting each other in person, and it also reminded me of what we bring to the market – products and joyful moments when people gather for special events or celebrations.

Your greatest challenges ahead?

To start with: I see more opportunities than challenges.

We will continue to grow the Branded business, strengthen the brands, and recover the product mix. In addition, we continue the journey to create sustainable value within Pick & mix, partly by premiumising the offering where the CandyKing concept paves the way. When we bought Candyking back in 2017 the whole industry had been competing on price – we focus on building value.

Furthermore, we continue our focus on efficiencies, and during the year we were successful in expanding our sustainable VIP+ cost savings as well as progressing with the Perfect Factory programme. Building on the success of these programmes, we have also launched a Net Revenue Management programme to drive further efficiencies in new areas such as pricing and trade spend.



With regards to the global supply chain challenges and cost inflation currently seen, we have over the last two years successfully managed to maintain business continuity. We have also announced and initiated negotiations concerning price increases in response to the significantly higher input costs.

Your biggest opportunities?

We have so much unexploited potential. Just doing better with our existing branded business, where local brands grow faster than international brands. We see large potential

here to be driven by innovation, valorisation and marketing spend.

Secondly, we intend further penetration in Germany and UK, where we have our own organisation in place which gives us the right set up to grow. These markets are large, our market share is relatively small, and we already see good sales figures – all in all the potential is great and our position is right.

Thirdly, we also believe there is so much more to do within our Pick & mix segment based on consumer demand and trends.

Finally, we want to focus more on the international business. We have brands in

many parts of the world and we have to go from export only to actually know the local demands working more closely with our distributors and third parties with prioritised brands.

Stockholm, March 2022

Henri de Sauvage-Nolting
President and CEO

Targets

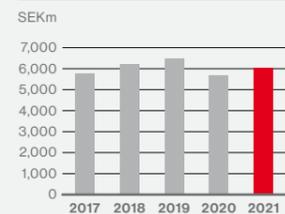
Long-term financial targets

Organic sales growth

Cloetta's long-term target is to grow organically by 1–2 per cent, which is in line with or better than the market.

Comment on the year's outcome: Organic growth was 8.4 per cent. Sales of Branded packaged products increased organically by 5.8 per cent, driven by strong marketing and innovation initiatives. Sales of Pick & mix increased organically by 18.4 per cent driven by efforts to grow consumer confidence, premiumising the offering and increased consumer activation.

Net sales



EBIT margin

Cloetta's long-term target is an adjusted EBIT margin of at least 14 per cent.

Comment on the year's outcome: The adjusted EBIT margin amounted to 9.4 (8.7) per cent. The increase was driven by higher volumes and various margin-enhancing initiatives in Pick & mix, partly offset by higher marketing investments and higher indirect costs.

EBIT and margin, adjusted



Net debt

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

Comment on the year's outcome: This year Cloetta once again delivered very strong cash flow, resulting in a net debt/EBITDA of 2.0x, well below the long-term target of 2.5x.

Net debt/EBITDA

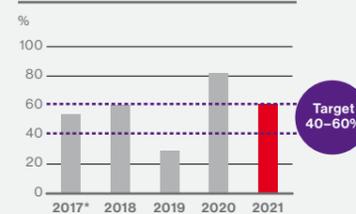


Dividend policy

Cloetta's policy is to have a dividend payout ratio of 40 to 60 per cent of profit for the year.

Comment on the year's outcome: The Board of Directors of Cloetta AB proposes to distribute a dividend to the shareholders of SEK 1.00 (0.75) per share for the 2021 financial year corresponding to 60.8 per cent of profit for the year.

Dividend policy (share of profit)



* Excluding special dividend of SEK 0.75 per share. Proceeds from divestment of Cloetta Italy.

Key sustainability targets

For You

Targets:

- 100 per cent non-artificially colored and flavored candy by 2023
- Offer sugar-free, less sugar and options with functional ingredients
- Offer more vegan options

Comment on the year's outcome: Increased functional ingredients and the proportion of natural ingredients in our products. Sugar-free and less sugar options decreased due to lower sales of pastilles and chewing gum. Vegan options increased and we are on track for achieving the target for non-artificially colored and flavored candy.



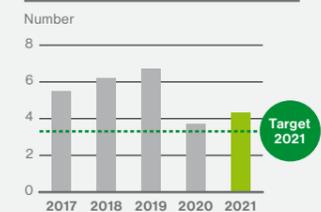
For People

Targets:

- Continue to work towards zero work-related accidents
- LTIR target 2021 was 3.3
- Provide competence development programmes
- Improve living conditions in the supply chain through our partnerships

Comment on the year's outcome: Safety awareness methodology and improved process for risk assessments implemented. Cloetta leadership academy and Sustainability academy rolled out. Developed existing partnerships empowering women sourcing shea and enabling living income for cocoa farmers.

Lost time incident rate (LTIR)



For the Planet

Targets:

- 46 per cent absolute greenhouse gas emissions reduction by 2030 compared to 2019 base year emissions
- 100 per cent recyclable packaging by 2025
- 100 per cent packaging from renewable sources or recycled materials by 2030

Comment on the year's outcome: Set science-based targets and started Cloetta Climate Action Programme. CO₂e reduced with 8.7 per cent compared to 2019 baseline. Packaging more than 90 per cent recyclable depending on volumes. PlantPack accounting for approximately 5 per cent more of packaging compared to 2020.

For the Planet – Climate impact

Energy consumption

Energy consumption per produced tonne to be reduced by 26 per cent by 2030, compared to 2019 base year.

Comment 2021: Energy KPI decreased compared to 2020, this due to activities coming from energy mappings done for all factories.

Waste

The volume of waste per produced tonne to be reduced by 46 per cent by 2030, compared to 2019 base year.

Comment 2021: Decreased waste/produced tonne despite higher volumes compared to 2020 by focusing on reduction of physical waste and improvement of first time right in all factories.

Carbon dioxide emissions

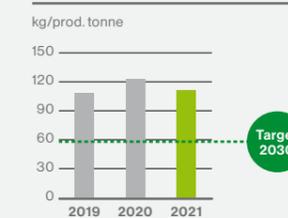
CO₂e emissions from production to be reduced by 46 per cent per produced tonne by 2030, compared to 2019 base year.

Comment 2021: CO₂e emissions on same levels as 2020. Cloetta Climate Action Program contains long-term projects to reduce CO₂e by moving into renewable sources.

Energy consumption*



Waste*



Carbon dioxide emissions*



*) The calculation for energy consumption, waste and CO₂ emissions have been updated compared to previous years and reported according to GHG protocol and GRI (baseline 2019). The numbers for 2019 and 2020 have also been recalculated.

Strategic priorities

Cloetta is a proud provider of joyful moments – our brands and products bring fun and joy to memorable occasions. We are convinced that our consumer focus is the basis for Cloetta to grow and our brands to flourish. We will meet the future as a united organisation – One Cloetta – with a winning culture and passionate way of working.

Cloetta aims to strengthen its position as the leading confectionery company in Northern Europe within the candy, chocolate, pastilles, chewing gum and nuts categories as well as in the Pick & mix segment.

Our aim is to grow 1–2 per cent organically, which is in line with or better than the market, on our core markets as well

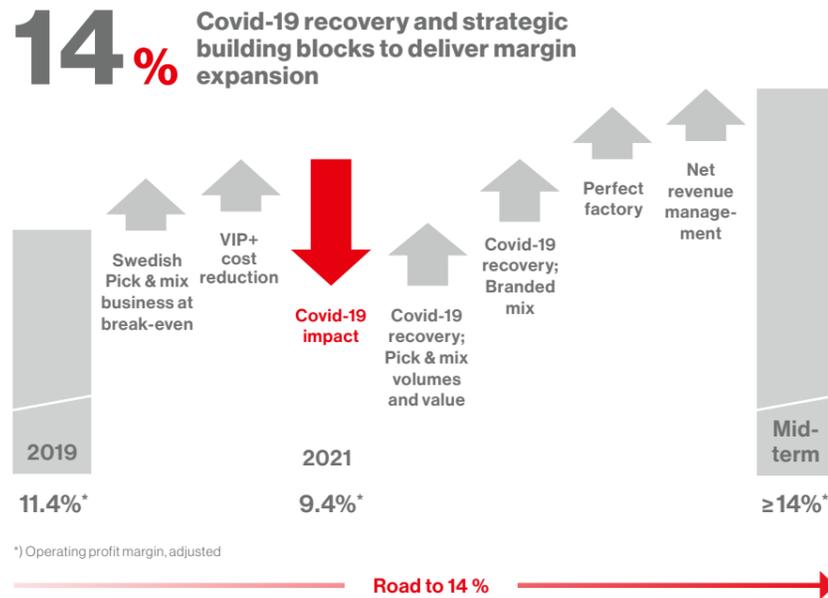
as to deliver fast growing international sales through the expansion of selective brands. We will continuously develop new innovative offerings and strengthen the e-commerce focus.

Furthermore, we aim to achieve an adjusted EBIT margin of at least 14 per cent, by recovering the impacts from Covid-19,

including volumes and value within Pick & mix as well as profitable growth and product mix within Branded packaged products. In addition, we will continue to drive cost-savings and efficiency activities throughout the entire value chain.

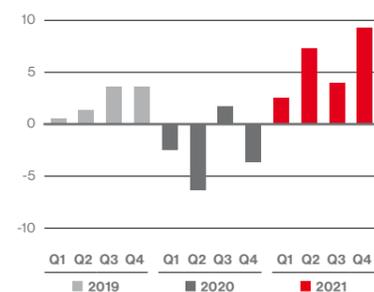
Cloetta's strengths

- Strong leading local brands.
- Core markets in stable Northern Europe.
- Strong European leader in pick & mix.
- Scale benefits in Northern Europe versus local competition.
- Route-to-market scale in core markets.
- Locally tailored innovations.



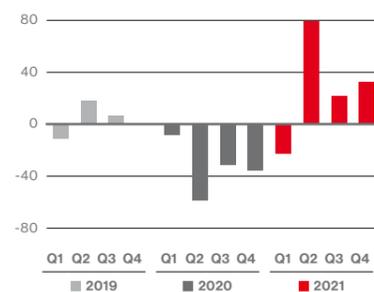
Organic sales growth in Branded packaged products

Change from previous year, %



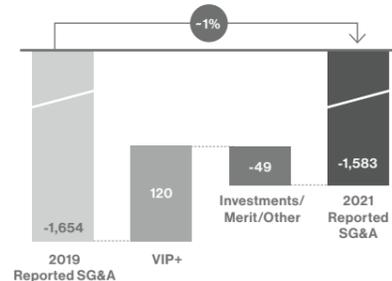
Organic sales growth in Pick & mix

Change from previous year, %

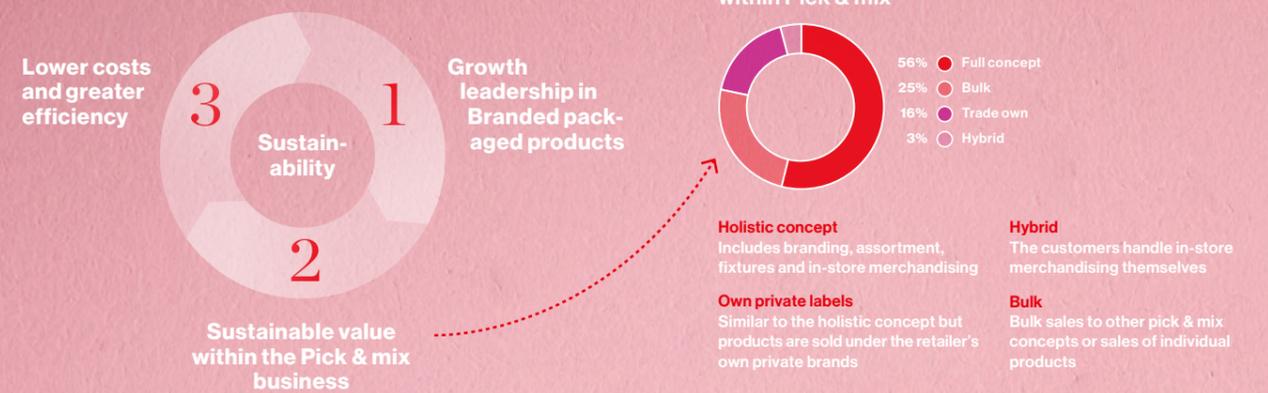


VIP+ 2019–2021

Net 1% operating profit margin delivered.



Strategic priorities



1 Growth leadership in Branded packaged products

We have a clear strategy for growth for Branded packaged products which focuses on both the core operations and the group's strong brands, well positioned to respond to the growing consumer trends demanding local brands and innovative offerings with a conscious and sustainable approach. As branded packaged products have an EBIT-margin above the Group average, this segment is important for Cloetta to be able to reach its long-term profitability target. We will also continue to recover the mix within the segment to secure strong profitability.

Achievements 2021

In 2021, we were successful in our efforts to bring organic sales of Branded packaged products to above 2019 levels, recording four consecutive quarters of growth. This was achieved mainly through successful marketing, strong innovation initiatives as well as a further focus on sales fundamentals. We also continued to focus on recovering sales of high-margin products such as chewing gum and pastilles, with some improvements seen towards the end of the year.

During the year, we continued to invest in our core brands, new products and flavours, which allow Cloetta's brands to valorise by delivering higher value to the consumer and the retail trade. At Cloetta, we constantly strive to capitalise on scale and ensure innovations can be launched in several markets under different brands. One of the most important launches of the year was the fruit-based candy cross-market launch, which you can read more about on page 18.

2 Sustainable value within the Pick & mix business

Pick & mix is an important consumer market as it goes hand in hand with underlying consumer trends such as individualism and sustainable packaging. The segment is also of importance for our customers as it increases in-store traffic and impacts our ability to sell other categories. From its strong market position Cloetta has good opportunities to develop the category and thereby drive profitability and growth. Cloetta offers customers four different Pick & mix business models, comprising a holistic concept, own private labels, hybrid and bulk.

Achievements 2021

In 2021, we focused on actions to regain the consumer confidence, with increased emphasis on hygiene, with encouraging results. An important event was the launch of the premium CandyKing concept in all Pick & mix markets, repositioned to drive premium pricing. We also executed the largest-ever CandyKing media campaign across Scandinavia, triggering increased consumer engagement and higher average purchases.

Our actions taken within the Pick & mix segment during the year enabled a steady recovery of volumes and profitability, with the adjusted operating profit margin up close to 13 percentage points year on year. The Swedish Pick & mix business returned to break-even in the fourth quarter. Furthermore, the total Pick & mix business, which generated a negative adjusted operating profit of approximately SEK 150m in full-year 2020, was close to break-even on a full-year basis.

3 Lower costs and greater efficiency

Cloetta needs to invest to continue to grow. This includes both increasing marketing investments for Branded packaged products as well as adapting to changing consumer and customer demand. Cloetta's efficiency programmes, together with strengthened corporate culture and processes in One Cloetta, are important drivers to improve the overall profitability which allows future investments.

Achievements 2021

Our efficiency programmes continued according to plan during the year, with progress made both in the Perfect Factory and VIP+ cost programme. For instance, we completed a migration of our ERP system to the cloud, delivering both savings and enhanced functionality. We also centralised our administrative processes for general ledger accounting to a Global Shared Service Centre in the Netherlands and for accounts payable to our manufacturing site in Slovakia.

During the year, we were successful in expanding our sustainable VIP+ cost savings to protect the 1 per cent EBIT margin the programme had delivered by 2020, by increasing savings during the year from SEK 65m to SEK 85m in 2021.

Building on the success of the VIP+ programme to reduce indirect costs, we also launched a Net Revenue Management programme to drive further efficiencies in new areas such as pricing and trade spend.

The market

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



The confectionery market

The total market for confectionery in Cloetta's main markets amounts to approximately SEK 271 bn (269).*

The confectionery market is relatively insensitive to economic fluctuations and shows stable growth that is driven primarily by population trends and price increases. Market recessions affect us 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.

*) The market consumption data calculations have been updated vs previous years and this may affect the comparability vs the market consumption numbers stated in the Annual and Sustainability Report of 2020.

Consumption patterns

Confectionery is one of the most impulse driven categories in the retail trade. Up to 80 per cent of purchasing decisions are made at the point of sale. Brand, availability and product placement are significant success factors. The European confectionery market is characterised by strong consumer loyalty to local brands. Shoppers however rarely buy only one brand but rather tend to have a few brands in their purchasing repertoire. The main considerations when buying are brand, flavour, quality and curiosity about new products.

Consumption patterns and taste preferences vary between the different markets. For example, compared to the rest of Europe, the Nordic region has a higher per capita consumption of chocolate and candy.

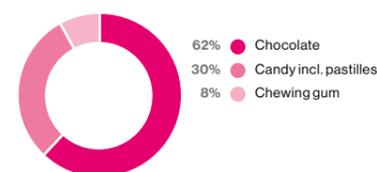
Competitive market

The global market for confectionery is dominated by international companies like Mars, Mondelez International, Nestlé, Ferrero, Perfetti Van Melle, Haribo and Lindt & Sprüngli. However, 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 pace of technological product innovation is low.

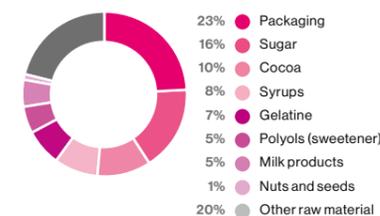
Pick & mix

The Pick & mix segment has a very strong position in the Nordic countries and accounts for a large share of the total confectionery

The confectionery market

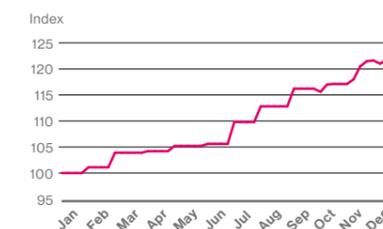


Breakdown of raw materials and packaging costs, %



Cloetta's largest cost items in production are raw materials and packaging. We collaborate closely with our largest raw material suppliers, for example through automated order and delivery processes that are adapted to the raw material consumption in each factory.

Index of key commodities used by Cloetta



Source: Mintec, EUWID, Kingsman

Raw material prices increased significantly in 2021.

consumption, while the consumption of pick & mix is considerably lower in Central Europe where packaged candy and chocolate have a stronger position. In Sweden, pick & mix normally accounts for 30 per cent of the total confectionery market, while in the other Nordic countries it accounts for 5 to 15 per cent. Pick & mix candy as a market has been growing faster than packaged products in most Nordic countries. However due to the Covid-19 pandemic, pick & mix has lost market shares.

The nut market

Cloetta is also active in the nut market via the brands Nutisal and Parrots. The total nut market in the Nordic region is worth

around SEK 5 bn, and the private labels of the retail trade account for approximately one third of the total market. In Cloetta's main markets, the nut market is experiencing annual growth of 1-2 per cent in volume. However, in the past few years the growth has been around 4 per cent a year due to price increases and a shift to the premium product category, and more recently due to the impact of the pandemic.

Raw material and packaging

The prices of Cloetta's most important raw materials are set on the European commodities exchange, either directly, as is the case for cocoa, or indirectly such as with glucose syrup, the price of which is influenced by

the price of wheat and barley. This means that our purchasing costs for these items are dependent on market pricing. Cloetta has a central purchasing department that can carry out more effective purchasing, both by consolidating and by using local purchasing opportunities. As a rule, the Central Purchasing department pre-purchases the most important raw materials so that raw materials are available for the equivalent of six to nine months of production. This also creates predictability in prices and financial outcomes, since price changes affect our purchasing costs with a certain delay. In this way, we usually avoid temporary price swings in the commodities market.

Cloetta's sales channels

Grocery retail trade

One of Cloetta's most important sales channels, typically covered by central agreements at a national level.

Development

The grocery retail trade has undergone extensive consolidation and restructuring over the past ten years, with increasingly fewer and larger stores. 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.

Service trade

One of Cloetta's most important sales channels, characterised by generous opening hours, centrally located in the form of convenience stores and filling stations.

Development

Over the past decade, confectionery sales to the service trade have decreased, primarily due to the presence of fewer filling stations, but also because the service trade has developed its own snack alternatives that compete with confectionery.

E-commerce

Cloetta's fastest growing sales channel, with a mix of both established and new players. Younger target groups with convenience as main driver.

Development

Over the last decade, FMCG e-commerce in Europe has experienced strong growth further fueled by the pandemic. The major accelerators are technology-based solution such as mobile shopping and quick payment methods as well as fast deliveries as standard.

Other channels

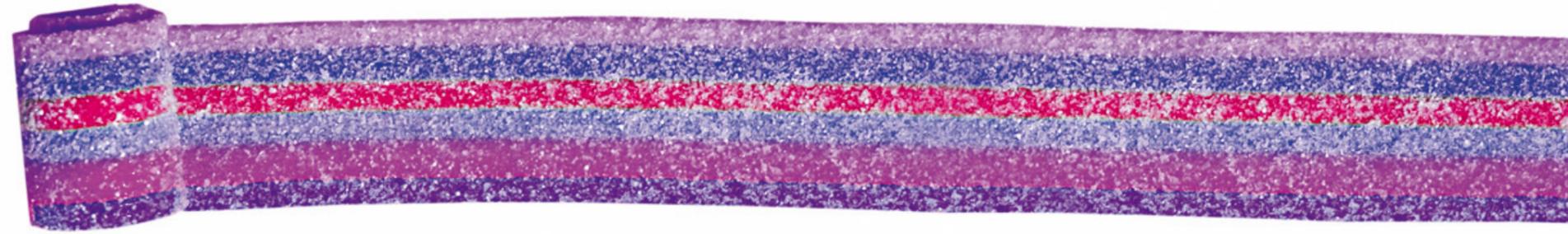
Includes cinemas, building supply stores, airports and arenas. This channel often requires support in developing its confectionery sales.

Development

In recent years, this channel has broadened to also include non-traditional confectionery sales channels such as building supply stores, furniture and appliance stores, hotels and bars.

6 distinct consumer trends

Cloetta continuously monitors market trends at macro and micro levels through market research, category and trend reports, social listening and various trackers. Keeping track of trends provides valuable information for us to feed into the development of new ideas and concepts.



Greater individualisation

Consumers increasingly wish to satisfy their individual needs. This means that they want the option of both choosing products, and also having access to products and services that are individualised and can be adapted to different occasions.

Cloetta's response

Pick & mix is a good example of a concept that is individualised, and a category in which we are a leading market player. The CandyKing brand relaunch has made it a more relevant and appealing offering, and has given consumers exciting new options on the pick & mix shelf, through exclusive collaboration with suppliers. Cloetta also consistently works on different packaging sizes and formats to cater for different occasion needs, such as The Jelly Bean Factory providing a range of different formats, spanning from smaller "grab and go" – sachets, to larger sharing & gift jars.

Responsibility for the environment and human rights

One of the key trends is the interest in the impact of food production on the environment and the social conditions of the producer. Suppliers have responded to consumer demand for information; above all in terms of the origins of raw materials, the farmers' working conditions, quality and farming methods, by introducing different types of labelling and certification.

Cloetta's response

During 2021, Cloetta continued driving several programmes within these areas that aim to make a real impact in the world. In partnership with the Rainforest Alliance, we contribute to The Living Income project that bridges the living income gap by making extra payments directly to cocoa farmers. Cloetta committed to the Science Based Targets initiative (SBTi) which is a public commitment to reduce direct and indirect carbon emissions, and we submitted our targets for validation at the end of 2021. As an example of our commitment, we also calculated the climate footprint for a selection of our products, involving the first steps of more data collection and engagement with our suppliers.

Health

Consumers are increasingly looking for natural raw materials with positive health benefits. Additives of various types and artificially produced substances are being questioned in favour of natural ingredients. E-numbers are being replaced with the name of the additive in plain language. Natural sugar and natural sweeteners like xylitol and stevia are preferred to artificial sweeteners. Less sugar and fewer calories is another important aspect that consumers are demanding.

Cloetta's response

We are working to remove artificial flavourings and colourants from our assortment. They will be entirely replaced by natural fruit and plant extracts in our candy products. Cloetta provides alternatives in the form of sugar-free products, products with less sugar and products that are naturally free from sugar, giving consumers the opportunity to choose. We also use the natural sweetener xylitol in brands such as Jenkki, Mynthon and Läkerol Dents.

E-commerce and digital channels increasingly important

E-commerce is growing rapidly across all sectors, including the grocery retail trade, and growth has been fueled further by the Covid-19 pandemic. Alongside the growth of e-commerce, direct communication with consumers via social media is emerging as one of the most important channels for feedback. Online sales in confectionery are still lower than for other consumer product categories, but have more than doubled in Cloetta's core markets compared to before the pandemic.

Cloetta's response

E-commerce is one of our key focus areas. Cloetta's e-commerce strategy is focused on growth through a dynamic channel that matches our strong offline shares in online trade. Online grocery market maturity differs depending on the markets. This means that Cloetta sets clear priorities for where and how to drive e-commerce projects including mobile image optimisation, e-trade marketing activation and dedicated online product development. We are constantly developing new marketing tools to get noticed and end up being the preferred brand in a shopping cart.

Superior sensory experiences

With the increased exposure to social media platforms where consumers share consumption experiences, and the need for affordable escapism, consumers are seeking heightened sensory experiences from their food. This is driving companies to regularly launch exciting new flavours and textures.

Cloetta's response

With our strong brands acting as a trustworthy ambassador for novel taste sensations, 2021 brought exciting taste experiences to consumers. For example, in the Nordic countries Läkerol YUP Crispy was launched with products providing a nice sensory experience. 2021 was also the year of the Venco Choco D'rop launch in the Netherlands, with the product offering a great combination of real Dutch licorice and exclusive chocolate.

Local, genuine and transparent brands

Local brands with a strong history are favoured by consumers. This became even more apparent during the pandemic, when consumers reverted far more to traditional and familiar brands. Authenticity and transparency are key for brands to deliver in order to earn consumer trust.

Cloetta's response

In all core markets, we have some of the strongest local brands that consistently deliver joy and fun moments in consumers' daily lives. We continue to invest in local brands and develop them in accordance with consumer trends whilst ensuring they meet consumer expectations. To earn consumer trust and to truly deliver genuine brands, we work continuously to ensure all products meet high quality standards, and provide clear and transparent information about the contents of the products on the packaging and our website.

Meeting the consumer demand

Consumer and market insights are a key source of input for our product development, marketing and branding. It is important to understand all parts of the consumer journey in order to provide brands and products that are liked, purchased and consumed.

The consumer in the spotlight

Cloetta continuously monitors market trends to gain valuable information to feed into the development of new ideas and concepts. Cloetta tests different hypotheses, concepts and prototypes to ensure our offerings resonate well with consumers, and that there is a good fit with Cloetta's brands.

By evaluating the physical products, consumers provide essential feedback to our innovation team who subsequently improves the product recipes to fully meet consumers' preferences before launch. We manage and make use of our own consumer panel to efficiently conduct product tests, establishing a direct line with consumers, which supports the improvement of our current products as well as the development of new ones.

We closely follow the health of our brands through advanced tracking tools based on specific KPIs to systematically follow the effect of our marketing activities and new launches. The high frequency of data points ensures a thorough understanding of the brand performance and enables quick and effective actions when needed.

Strategic product development

Product development is one of the key drivers to win new consumers and drive brand health while differentiating in the market. On an ongoing basis we introduce product extensions such as launches of new flavours, textures and packaging as well as adaptations to local needs on already existing product lines. A product that is successful in one market can be launched in another market under an existing local brand.

To ensure valorisation and competitive edge, we focus on fewer but bigger innovations every year to provide truly new taste and ingredient experiences based on key consumer insights. It enable us to enter new market segments, grow categories, be margin-accretive and launch these innovations cross markets to ensure synergies of scale.



Brand and category leadership

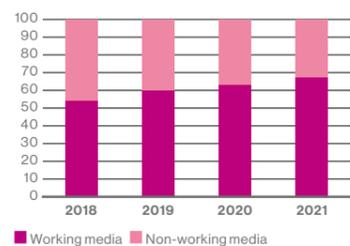
Good availability and visibility in stores, alongside strong brands with high recognition and loyalty, are critical to confectionery sales in retail. Cloetta's continuous development and care of its brands, together with a strong sales force, are of vital importance.

We focus on accelerating marketing return on investment with increased emphasis on the largest brands of the brand portfolio. Cloetta's ten largest brands account for more than half of the Group's sales. For each brand there is an individual development plan aimed at continuously developing and strengthening the brand. One overarching ambition is to ensure that the marketing investments we make are effective in driving incremental sales and brand equity for the long term. This involves creating the right impactful content combined with a suitable media channel mix, which must be carefully developed and planned ahead of each campaign, based on the defined performance objectives.

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

Over the last years, efficiency gains have enabled us to increase its share of marketing that is visible to the consumers, up from around 40 per cent in 2017 to around 70 per cent in 2021.

Share of working media vs. non-working media



We believe that the consumers are the key to growth, which is why they are at the centre of all our strategies.



Welcome to the party

The launch of fruit-based candy

Cloetta's fruit-based candy, which contains 50 per cent fruit, is a major innovation within foodtech that was launched across markets during the year under our existing local candy brand portfolio. The product delivers on key consumer trends and is an important part of Cloetta's innovation strategy to drive organic growth and profitability within the Branded packaged product segment.



Consumer insights

By keeping track of different trends and behaviours, we get valuable information to develop new ideas and concepts. The development of our fruit-based candy is a great example that was built on consumer insights, such as the need of increased transparency and a focus on more natural ingredients.

Idea, tests and solution

Fruit-based candy is a completely new type of product in the candy category and the result of a long-term innovation and development process that evolved for about two years. The product was developed with our internal capabilities and in our own factories. We knew what we wanted to develop, but also the challenges we faced. From a production point of view, it was indeed a challenge to produce a product that contains a lot of fruit and at the same time tastes, looks and feels like candy.

The new fruit-based candy, which contains 50% fruit and consists of natural colors and flavors, is vegan and was developed in close dialogue with consumers to ensure the best result. The high fruit content gives the products a fresh, juicy and natural fruity taste. The colors of the candy come from foods with coloring qualities, such as black carrot, sweet potato and black currant. Natural dyes such as curcumin and paprika extract are also used.

International launch

Cloetta developed its fruit-based candy to fit several different local brands enabling a cross-market launch and thereby capturing the benefits of scale. The innovation adds to previous launches such as Kexchoklad Vegan, Gott & Blandat 30% less sugar as well as the use of natural sweeteners in the products.

The joint launch of the fruit-based candy in several markets took place in the spring of 2021. In Sweden, it was launched simultaneously in most stores in the service and retail sector in the country.

- The new candy was launched in two taste variants:
- Berries and fruit - with flavors of red apple, pear, strawberry, blueberry, pomegranate and raspberry.
 - Tropical - with flavors of green apple, pear, passion fruit, pineapple, peach and mandarin.

The products are also available in different pack sizes in the different markets to give the consumers a selection of products that meet different needs at different moments.

Once an innovative launch like this has been public, the product development team is already on their way to launch new products based on learnings and insights from the previous one.

Sustainability

Our agenda "A Sweeter Future" focuses on creating joy and long-lasting value For You, For People and For the Planet. During 2021, progress flavored each area in a different way, including introducing more vegan options, enriching the social impacts in our supply chain through our partnerships, and setting ambitious targets and activating teams across the organisation to work towards our Science Based Targets.

As a signatory participant of the UN Global Compact since 2009, we support the Sustainable Development Goals (SDGs), both directly and indirectly through our work in our three pillars. As a fast moving consumer goods business with a global value chain we have chosen to focus on the following six Sustainable Development Goals; Responsible Consumption and Production (#12), Gender Equality (#5), Decent Work and Economic Growth (#8), Climate Action (#13), Life on Land (#15) and Partnerships for the Goals (#17).



Our Agenda

Reflecting the most important topics to our stakeholders and also where Cloetta can create the most economic, social, and environmental value, our three pillars demonstrate where we are able to make the Power of True Joy come to life.

For You

When it is time for life's sweetest moments, Cloetta delivers the best. From the most indulgent sweets to healthier treats, Cloetta is always innovating to bring joy to all tastes.

Approach:

Our consumers are at the center of our business, which is where the focus on innovating our products and meeting their diverse needs, but also ensuring safe, high quality, transparently labeled and trusted products.

Targets:

- 100 per cent non-artificially colored and flavored candy and pastilles by 2023
- Offer sugar-free, less sugar, as well as options with functional ingredients
- Offer more vegan options
- Lead the world in xylitol products for healthier teeth
- Continue offering healthier options, such as nuts

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For People

In the world's sweetest business, making a real impact is the key. From local communities to employees, farmers and societies, Cloetta strives to provide joyful moments, prosperous working lives and responsible involvement.

Approach:

Our internal programmes focus on health, safety, and well-being for our employees. Participating in impact-focused partnerships and dialogues works towards improving living conditions in our supply chain. Through community involvement and marketing our products in a responsible way, we set a positive example.

Targets:

- Continue to work towards zero work-related accidents
- Provide competence development programmes and a fair and equal place to work to all employees
- Improve living conditions in the supply chain through our partnerships
- Be a positive role model in our communities with our marketing practices and projects

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For the Planet

A healthy planet is the source of all our ingredients – and securing true joy for the future. We make sure to use resources efficiently, lower our climate impact and this year we're also committed to the Science Based Targets initiative.

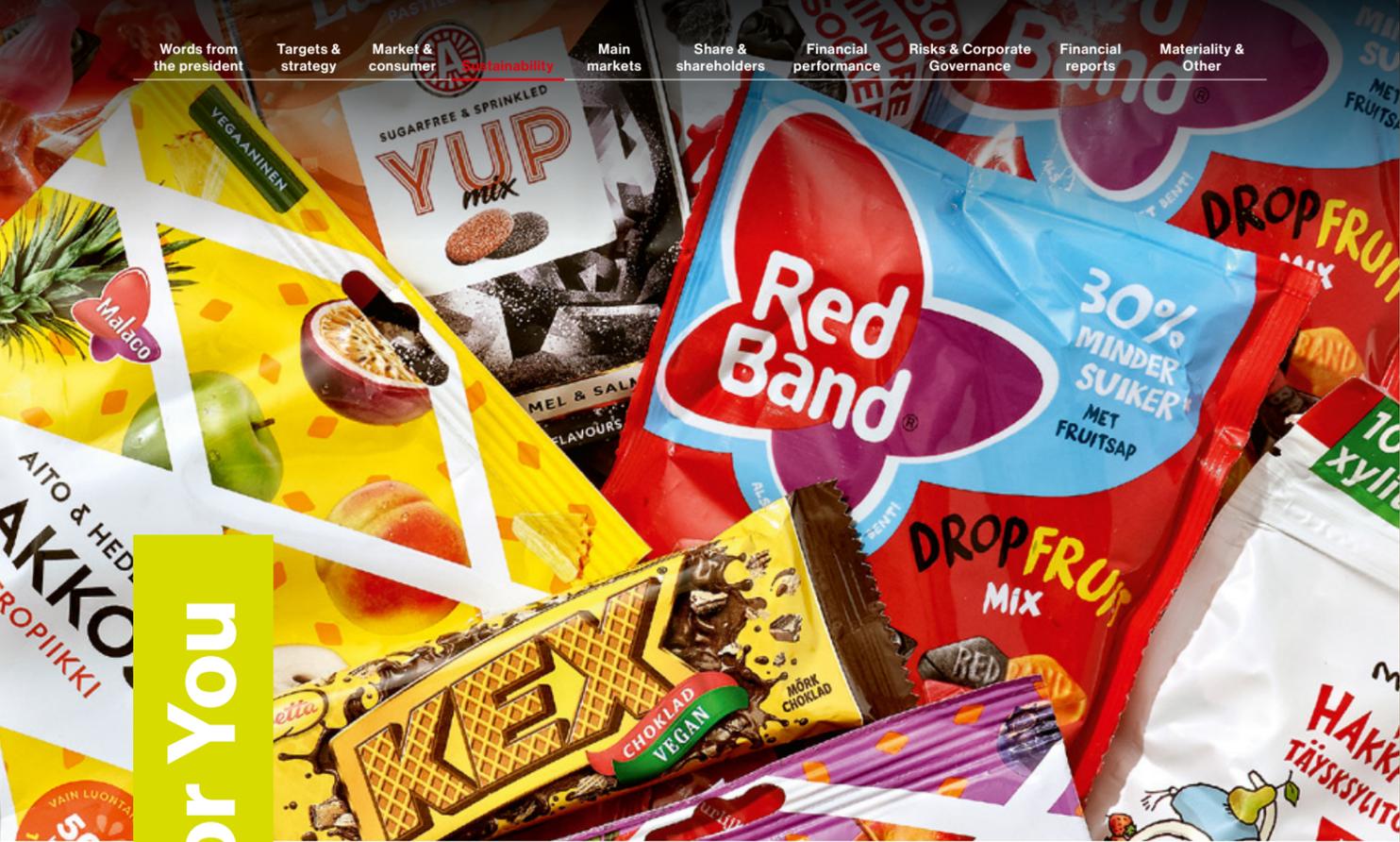
Approach:

Climate action, sustainable sourcing, and less and better packaging are our three main priorities in improving our footprint. Within these, we work towards improving the environmental performance of our suppliers, assessing topics like biodiversity, energy usage, waste, and emissions in our own operations but also in our supply chain.

Targets:

- 46 per cent absolute greenhouse gas emissions reduction by 2030 compared to 2019 base year emissions
- 100 per cent recyclable packaging by 2025
- 100 per cent packaging from renewable sources or recycled materials by 2030
- Engage key suppliers and improve performance in sustainable sourcing programme
- Maintain 100 per cent Rainforest Alliance certified cocoa and RSPO segregated certified palm oil

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For You

Our consumers are at the center of our business, which is why we work towards meeting their diverse needs, but also ensuring safe, high quality, transparently labeled and trusted products.

Trusted quality

To ensure the safety and quality of our products, Cloetta fulfills environmental and food safety requirements, for example through BRC and ISO certification. All factories have a product safety system and work proactively to ensure more satisfied customers and fewer product complaints.

Listening to consumer trends

Consumers are voicing needs for more natural raw materials with their health in mind. Cloetta's discovery platforms and innovation teams work to find ways

to provide more options that meet these changing tastes while still staying true to our product offering.

How we meet them

Innovating for the future is a key success factor in order for Cloetta to stay in tune with consumers' changing demands. By providing options to the classic favorites, we see an increasing interest in vegan options, for example with Kexchoklad Vegan and Gott & Blandat. We develop lower-sugar or sugar-free alternatives for our major brands. Options that support health can

be found in the nut portfolio as well as in the xylitol offering. Cloetta has prioritised increasing the proportion of natural ingredients in our products. During 2021, we launched new recipes with natural flavors in our Nutisal portfolio, and functional ingredients and vitamins in Sportlife. All to ensure that all consumers can enjoy Cloetta while having a healthy and active lifestyle.



SDG commitment

Responsible Consumption and Production is at the core of A Sweeter Future, especially in this focus area. We take responsibility for product quality and food safety, we source sustainable ingredients and we provide options that consider consumers' health.

Progress towards targets during 2021

- Introduced more vegan options, now amounts to 15 per cent of the total sales
- On track for achieving 100 per cent non-artificial flavors & colors in candy and pastilles by 2023
- Launched fruit-based candy, which contains 50 per cent fruit
- Launched Sportlife Boost gum with functional ingredients and vitamins

Risks

- Brand-related risks resulting in decreased sales
- Consumer dietary preferences changing, allergic reactions
- Gaps between research findings and consumer perceptions
- Political decisions such as sugar taxes



Vegan options

Because joy looks different for our consumers in many different moments, we want to offer our consumers more options, including vegan options. During 2021, Kexchoklad Vegan was launched, a vegan and lactose-free alternative to the milkchocolate classic, Kexchoklad in Sweden. Across our chocolate, candy and refreshment portfolios we see many benefits towards moving to plant-based ingredients, including health and environmental impacts. We currently have 15 per cent of our offering as vegan.



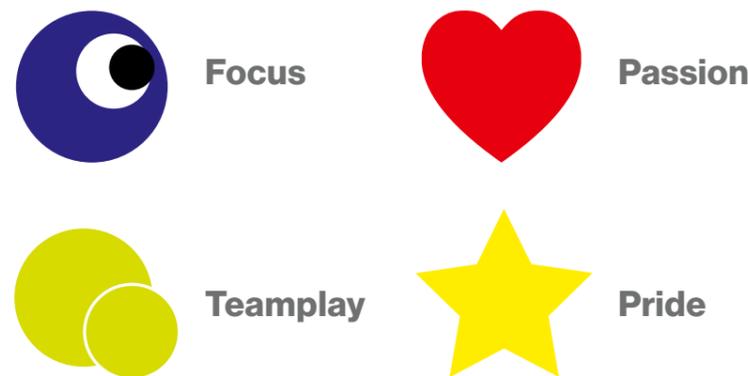


For People

We contribute to true joy for people by impacting three key stakeholder groups: society, our employees, and our suppliers.

Taking care of the people involved in our products extends beyond the walls of our factories and offices. Engaging in partnerships and collaborating with organisations allows us to support farmers and improve living conditions throughout our supply chain.

Values
Cloetta's values help us – as a diversified pool of people with different skills, experiences, aspirations and different personal values – steer the company in the same direction.



SDG commitment
We continue to contribute directly to SDGs 5, 8, 12 & 17. Gender equality (5) and decent work and economic growth (8) are important in our own operations as well as in our supply chain. Through our partnerships we are able to strengthen these impacts (17). Responsible consumption & production (12) is at the core of our responsible marketing practices and our societal impact.

Progress towards targets during 2021

- A safety awareness methodology and improved process for risk assessments was implemented
- Leadership academy and Sustainability academy rolled out and more than 70 managers participated in the trainings
- Developed existing partnerships empowering women sourcing shea and enabling living income for cocoa farmers
- Continued supporting projects with local communities and structured Responsible Marketing initiative

Risks

- Workplace accidents
- Breaches of human and labor rights in our supply chain
- Non-conformities to responsible marketing practices

Employees

Our employees are essential to making any of our goals a reality. Initiatives involving our employees address areas that we consider essential for a meaningful, creative and joyful work environment. Priorities include competence development, equal pay, non-discrimination, parental leave and mental health advice and well-being initiatives. The programmes are in place within our HR organisation.

Health and Safety

Health and safety in the workplace is fundamental to Cloetta. Our health and safety work is focused on two areas. First, we are working to reduce physical risks in all work places. Second, our focus is on promoting an occupational health and safety mindset. The outcome of 2021 shows that the Health and Safety strategy and roadmap supports the culture journey towards zero incidents and a preventative state. The result of the detailed Health and Safety KPI's shows that we hit the target for e.g., reporting of safety observations and dialogues.

Lost time accidents (LTA) have increased by 22 per cent compared to the 2020 year-end result. The number of LTAs in 2021 was 11, compared to 9 in 2020. The lost time incident rate (LTIR) has increased by 16 per cent compared to the 2020 year-end result. The rate for 2021 was 4.3, compared to 3.7 in 2020.

At Cloetta, we have a health and safety management system that contains all Cloetta factories and offices. During 2022 we aim to implement ISO 45001 as part of our way of working. All our employees, temporary personnel, consultants and visitors are part of our health and safety management system where the core is to identify hazards and risks and report all type of incidents. Investigation of incidents are managed by our HSE alert process that supports us in finding the root cause

Number of employees by category and region as per 31 December 2021

	Number of employees		Number of permanent employees		Number of temporary employees	
	Women	Men	Women	Men	Women	Men
Sweden	391	294	359	274	32	20
Slovakia	465	300	408	258	57	42
The Netherlands	188	364	160	298	28	66
Finland	266	51	172	39	94	12
The UK	173	53	173	51	0	2
Belgium	26	94	19	81	7	13
Denmark	76	46	74	44	2	2
Ireland	25	41	20	30	5	11
Norway	17	17	16	16	1	1
Germany	10	4	9	4	1	0
Italy	1	2	1	2	0	0
Others	3	3	3	3	0	0
Total Cloetta	1,641	1,269	1,414	1,100	227	169

See note 6 for average number of employees per country.

and take appropriate actions. Base for our health and safety work is competence and awareness that are in line with legislation and general awareness. Competence development takes place through training. To strengthen our health and safety awareness and behavior we introduced "60 second of thinking" methodology to enable all people to have the opportunity to stop and think before acting. Company health care services are available in each country to support in medical treatment and preventative measures, e.g. health examinations.

Number of employees

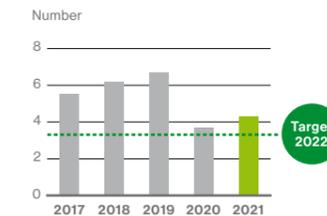
The number of employees as per 31 December 2021 was 2,910 (2,917), 70 per cent (77) of which are covered by collective agreements. In production there are certain periods with a higher workload, such as ahead of Easter and Christmas, when extra staff is hired. Other areas of operation also use temporary and extra staff. 14 per cent (14) of the employees (headcount) were temporary staff at the year end.

Gender distribution, per December 31, 2021

	Women	Men
Group Management team	20%	80%
Board of Directors	29%	71%
All Employees	56%	44%
whereof full-time employees	49%	38%
whereof part-time employees	8%	6%

Lost time incident rate (LTIR)

(LTIR is absence due to an incident (for more than 24 hours) per 1,000,000 hours worked.)



Society engagement

To work towards our goal to be a positive role model, we practice responsible marketing across all our markets by following the guidelines from the EU Pledge regarding marketing towards children. We create joyful and meaningful moments with our community involvement, meeting different needs and deepening our relationships and connections within our local communities. During 2021,

brands, offices and factories drove initiatives locally where they could meet a need and create joy in a meaningful way, including examples like the Smil Fund in Denmark, Red Band partnership with the National Fund for Child Aid in the Netherlands, and The Children's Foundation in Levice, Slovakia. Our partnerships with NGO's and suppliers help us reach the people growing the raw

materials. During 2021, we prioritised efforts where we can influence real change together via our partnerships: enabling living income for cocoa farmers and empowering women who are harvesting shea in West Africa.

For the Planet



A healthy planet is the source of all our ingredients – and all true joy.

Cloetta leads the way to A Sweeter Future for our planet with various initiatives, ranging from improving sourcing to decreasing packaging. To verify that our climate actions are effective, we're committed to the Science Based Targets initiative and we have set targets during 2021 which will be validated early 2022.

A Sweeter Future For the Planet considers environmental aspects in our business decisions and daily activities, as well as a raised ambition to improve our total planet footprint throughout our value chain. The three main initiatives are Climate Action, Sustainable Sourcing and Less and Better Packaging.



SDG commitment
Working towards A Sweeter Future For the Planet, SDGs Responsible Consumption and Production (12), Climate Action (13) and Life on Land (15) have the greatest significance for us. Our products are dependent on raw materials across the world, and the consumption and production of our products also create a greater responsibility on our climate footprint.

Progress towards targets during 2021

- Set science-based targets and started Climate Action Programme
- Maintained 100 per cent Rainforest Alliance certification and 100 per cent RSPO Segregated Certified palm oil
- More than 90 per cent recyclable packaging depending on volumes
- PlantPack accounting for approximately 5 per cent more of packaging compared to 2020

Risks

- Climate impacts on access to raw materials
- Disruptions in transportation and production caused by extreme weather
- Failing to act on climate crisis, deforestation, or biodiversity may influence relationships with customers and attractiveness to investors

Climate action*

Companies need to take responsibility for their environmental footprint. This is of increasing importance to all of our stakeholders, especially for our future generations. During 2021, we set our science-based target and activated a company-wide Climate Action Programme, to address and set a target of reducing our absolute scopes 1, 2 & 3 emissions by 46 per cent by 2030, with 2019 as our baseline-year. Our ambition behind this target is to keep our footprint from contributing to a global increase in temperature beyond 1.5°C.

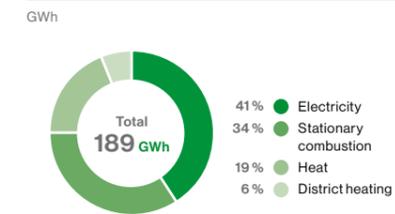
Our target spans beyond our own operations (scopes 1 and 2). Being a food company, approximately 86 per cent of our total carbon footprint comes from emissions from raw materials, packaging, transportation, and services we purchase (scope 3). This calls for collective action, as well as innovative ideas and collaborations beyond our operations. Total carbon emissions (scope 1, 2 and 3) increased with 3.7 per cent during 2021 driven by the increased production volumes. Compared to 2019 (base-year) the total carbon emissions have decreased with 8.7 per cent.

Scopes 1 and 2
Scope 1 emissions from stationary combustion increased by 4 per cent, while indirect emissions (scope 2) from the use of electricity and district heating increased by 3 per cent. The KPI for carbon emissions remained flat versus 2020 amounting to 0.33 tCO₂e/produced tonne. When looking at our absolute emissions, we see a slight increase by 3.6 per cent in scope 1 and 2 compared to 2020.

While still seeing some effects from the Covid-19 pandemic, production in Cloetta's factories increased from approximately 97,000 tonnes in 2020 to about 99,000 tonnes in 2021. Total energy consumption increased slightly compared to 2020 due to volumes. Offices are now included in the total energy consumption. Energy KPI decreased compared to 2020. Even though the total energy consumption increased from 186 GWh to 189 GWh, the KPI decreased from 1.95 MWh/tonne to 1.91 MWh/ton, which meant higher energy efficiency for 2021. To reach our 46 per cent absolute reduction target, we see that we need to continue to work towards 100 per cent renewable sources.

Scope 3
In 2021, we finalised our data collection and compilation for our scope 3 emissions, in order to set the foundation and priorities in setting our science-based target. Within this exercise, we're including emissions now from our raw materials, packaging, employee commuting, and more in addition to what we had reported previously (mainly emissions coming from logistics and waste). In 2021, Scope 3 emissions amounted to 251,042 tCO₂e and account for the majority of our total carbon footprint, which is why

Sources of energy



we aim to obtain better data from our supply chain, including accurate emissions factors for our specific raw materials, instead of working with generic open-source estimations.



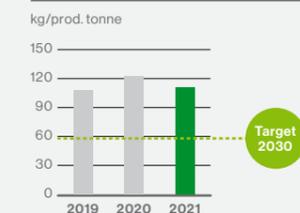
Climate Action Programme

Launched during 2021, in tandem with setting our science-based targets, the Climate Action Programme is Cloetta's company-wide effort to work towards our absolute emissions reduction target across all three scopes. With 12 different workstreams, the programme covers departments from manufacturing, innovation, procurement, to marketing. The idea behind this programme is to invigorate and inspire cross-company collaboration to work towards the ambitious science-based target. Each workstream will support each other, as well as looking for inspiration and learnings outside the company, to create creative, realistic, and innovative ways to reach our 46 per cent absolute emissions reduction target by 2030.

Energy consumption



Waste



Carbon dioxide emissions



* The calculation for energy consumption, waste and CO₂e emissions have been updated compared to previous years and reported according to GHG protocol and GRI (baseline 2019). The numbers for 2019 and 2020 have also been recalculated. Page 138 provides further information on changes in our accounting principles.



Sustainable sourcing

Sourcing sustainable ingredients is critical to securing A Sweeter Future – not only for Cloetta’s business and products, but also for our consumers, suppliers and the farmers in our supply chain.

Within our Sustainable Sourcing programme, we focus on improving the performance of our suppliers and sourcing raw materials in a way that protects or improves the environmental and social impacts in the supply chain.

Suppliers

Our work is based on Cloetta’s Supplier Code of Conduct, which covers human and labour rights, business ethics, anti-corruption, health and safety, environmental protection and the Cloetta Quality Agreement, covering both product quality and food safety.

Suppliers are obliged to adhere to these governance documents and report any changes in their operations that may lead to

deviations from agreements with us. During 2021, we worked with a digital tool to expand our monitoring activities to include other aspects of sustainability. Suppliers are monitored based on risks related to country and sector-specific circumstances, and their own performance over time. The objective is for suppliers to continuously improve their performance. Due to Covid-19, on-site audits were limited. In total, audits were performed at 11 suppliers during 2021. 15 first-tier suppliers (direct suppliers) were approved in our Sustainable Sourcing programme. All new suppliers were assessed in terms of their food safety, product quality, environmental considerations, workplace conditions and human rights.

The risk for incidents of child labour is not high for Cloetta’s first-tier suppliers. However, in the agricultural sector child labour is a problem and Cloetta is working together with suppliers and NGOs to help eradicate child labour.

Raw materials

Sourcing raw materials in a way that protects the people and planet producing them is possible with a holistic approach. For example, protecting biodiversity is intimately connected to climate change where deforestation adds to the crisis, while reforestation can provide part of the solution. Cloetta purchases 100 per cent certified cocoa and palm oil by third parties and biodiversity protection is a central requirement in these certification programmes. Cloetta aims to source ingredients in a transparent way, where human rights and living conditions are supported, and the farming communities are thriving. Cloetta works together with suppliers and third-party organisations who are driving social and environmental projects connected to the raw materials.

Better resource use

As a participant of the UN’s Global Compact, Cloetta applies the precautionary principle in its environmental work. The precautionary principle is particularly relevant to how we deal with the impact of our emissions into the air and water, as well as chemical usage. We also apply the principle of caution concerning allergies and food safety, supported by our quality and food safety programmes.

Using our resources in an efficient way is important throughout our value chain. We monitor the environmental impact of products and packaging throughout the entire lifecycle.

Within operations, all functions and factories work systematically with environ-

mental matters, including action plans and follow-up in a number of different areas. Cloetta’s management system is based on ISO 14001 and our environmental goals and activities are defined within the management system.

Waste management and recycling

Our main environmental focus is on climate-related issues, such as renewable sources and resource consumption of our manufacturing facilities, including recycling and waste.

Programmes are in place in our factories to improve efficiency and reduce physical waste. Total waste is now 111 kg/tonne produced, compared to 129 kg/tonne produced in 2020.

Less and Better packaging

CO₂e emissions related to packaging is a tangible area of focus for our stakeholders, most importantly our consumers. We continue to work towards more circular packaging, with our goal of 100 per cent recyclable packaging by 2025. Plastic-free, less packaging, and renewable sources are other areas of focus in the Less and Better packaging vision. During 2021, approximately 5 per cent more of our packaging came from PlantPack, which is an innovation replacing up to 50 per cent of the previous packaging with plant-based plastic, and thereby improving our CO₂e footprint and securing more renewable sources for packaging for our future.

Taxonomy Regulation

The Regulation (EU) 2020/852, (the Taxonomy Regulation) is designed to support the transformation of the EU economy to meet its European Green Deal objectives, including the 2050 climate-neutrality target. The Taxonomy Regulation establishes six environmental objectives and for the financial reporting year 2021 the focus is on the first two environmental objectives, Climate change mitigation and Climate change adaptation.

At the core of the regulation is the definition of a sustainable economic activity. An activity must contribute to at least one of six listed environmental objectives and do no significant harm to any of the other objectives, while respecting basic human rights and labor standards.

Taxonomy non-eligible

We have examined all Taxonomy-eligible economic activities listed in the Climate Delegated Act, under the EU Taxonomy Regulation, based on our activities as a confectionery company. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation, i.e., the need to avoid producing greenhouse gas emissions, to reduce such

emissions or to increase greenhouse gas removals and long-term carbon storage. The sectors covered include energy, selected manufacturing activities, transport, and buildings.

After a thorough review involving all relevant departments and functions, we concluded that our core economic activities are not covered by the Climate Delegated Act and consequently are Taxonomy-non-eligible. In this context, we, as a confectionery company, define the manufacturing of cocoa, chocolate, and sugar confectionery as the core of our business activities. The activities consist of the sales, marketing, production and trading of branded candy, chocolate, pastilles, chewing gum and nuts.

Activities, such as construction of new buildings (for our production facilities) or transport of our products to our customers, are provided by suppliers and defined as underlying activities, necessary to conduct our core economic activities. They are not reported as Taxonomy-eligible activities and not included in our turnover Key Performance Indicators (KPI’s) as they are not generating external turnover on a standalone basis. The KPI’s include the turnover KPI, the Capex KPI and the Opex KPI. For the reporting period 2021, the KPI’s must be disclosed in relation to Taxonomy-eligible economic activities and

Taxonomy-non-eligible economic activities (Art. 10 (2) of the Art. 8 Delegated Act). As our economic activities as a confectionery company are not covered by the Climate Delegated Act, the share of Taxonomy-eligible economic activities in our total turnover is 0 per cent and – consequently – the related capital and operating expenditure are also 0 per cent.

The above assessment is made on information that was available on 31 January 2022.



Operations

All of Cloetta's factories are certified according to the BRC Global Standard for Food Safety, an international standard that outlines requirements to manage product safety, integrity, legal compliance and quality, and the operational controls in the food industry. To support and facilitate compliance with BRC and EU regulations, Cloetta has also developed its own Good Manufacturing Practice (GMP) Manual, aligned and updated with the best reference standards in the food industry, which is being implemented in all factories.

We have seven factories and we also use third-party suppliers for part of the production. External production is only outsourced to manufacturers with the same high-quality standards that are applied to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

The backbone of operations is the Cloetta Leading Performance Programme (CLPP) with the vision to create the Perfect Factory. The aim of the programme is to create a trustworthy, engaging and sustainable environment in which people feel empowered to deliver improvements. This programme improves efficiency further, reduces waste and leftovers, and create increased flexibility and capacity in the factories. The programme involves improving operational

excellence, and also strategic investments to modernise the factory network.

We have a central management system to ensure standardised working methods in our 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 a local level. The man-

agement systems cover health and safety, environment, quality and product safety. These systems are based on international standards BRC Global Standard for Food Safety, ISO 14001 for recurring risk assessments and continuous improvements. The core of these standards aims to improve the business process performance and its expected outcome.

Production by factory in 2021



Factory location	Certifications
Levice, Slovakia	UTZ/Rainforest Alliance (RA), BRC Global Standard for Food Safety, IFS Food, RSPO
Ljungsbro, Sweden	BRC Global Standard for Food Safety, ISO 14001, RSPO, UTZ/RA, Koscher
Roosendaal (Sporstraat), NL	BRC Global Standard for Food Safety
Turnhout, Belgium	BRC Global Standard for Food Safety, ISO 14001
Roosendaal (Borchwerf), NL	UTZ/RA, RSPO, IFS, GMP and BRC global standard for Food Safety
Sneek, NL	IFS, GMP and BRC Global Standard for Food Safety and ISO 14001
Dublin, Ireland	BRC Global Standard for Food Safety and ISO 14001



“
Let the movie
begin!”

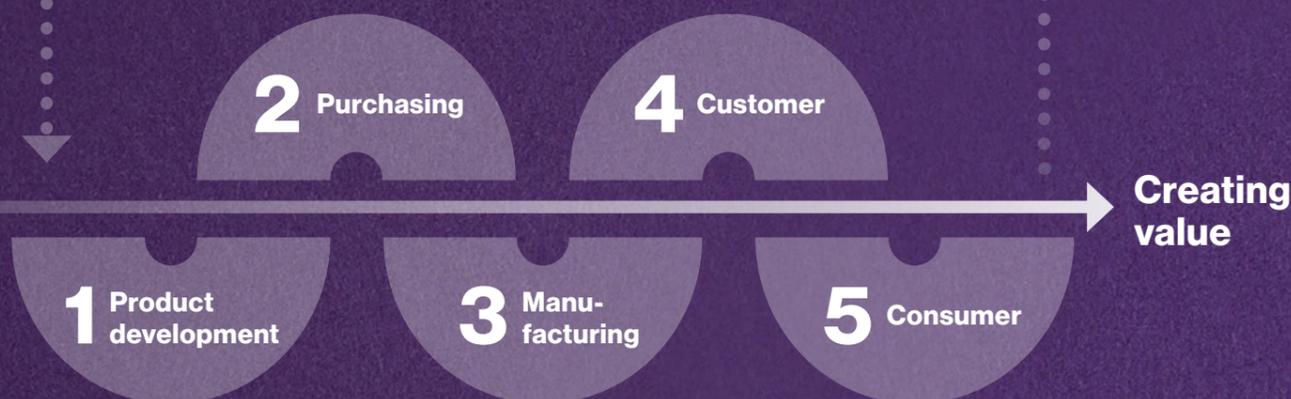
Value chain

Cloetta's total purchasing costs amounted to SEK 3,864m during the year, of which SEK 2,421m was for raw materials and consumables. The three main raw materials in terms of purchasing costs are sugar, cocoa and gelatin.

- Ability to impact: Low
- Suppliers approved and monitored against safety, quality, health & safety and sustainability
- Supplier code of conduct implemented in 2021
- Cloetta promotes sustainable agriculture & manufacturing of prioritised raw materials

Total net sales amounted to SEK 6,046m. Cloetta's largest customer category is the grocery retail trade. The service trade is also a very important customer group.

- Ability to impact: Medium
- Setting science-based targets helps us contribute to our customers' targets
- Cloetta improves financial and environmental impacts by reducing packaging, and optimising transportation



Based on a combination of consumer-driven needs/preferences, innovation and opportunities in the existing manufacturing network.

- Ability to impact: High
- Develop alternatives to meet consumer health trends
- Increase proportion of natural ingredients
- Sugar-free, xylitol and functional ingredients
- Innovate products that create joy

Cloetta had 2,599 employees during 2021 and total personnel cost amounted to SEK 1,356m. Cloetta's factories had 1,701 employees. During the year, Cloetta produced 99 thousand tonnes of candy, chocolate, chewing gum and pastilles.

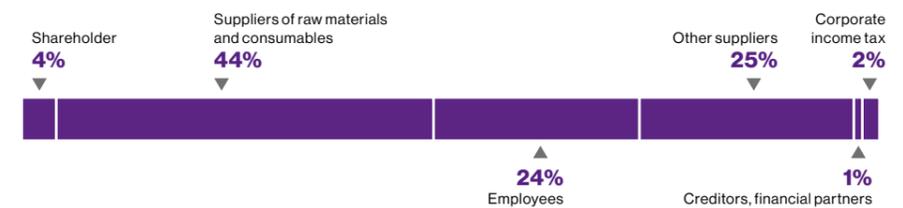
- Ability to impact: High
- Continuous improvement programme
- Health, Safety & Environment departments to mitigate environmental risks and reduce occupational incidents

Our company purpose, "We believe in the Power of True Joy" has our consumers at its center. We provide strong brands and a large range of pick & mix products. We also provide feedback on complaints and opinions in our customer service portal.

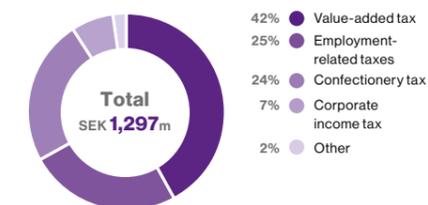
- Ability to impact: Medium
- High quality products marketed responsibly and transparently
- Consumers offered wide range of products
- Improved packaging solutions with minimal environmental impact

Distributed value SEK 5,529m¹

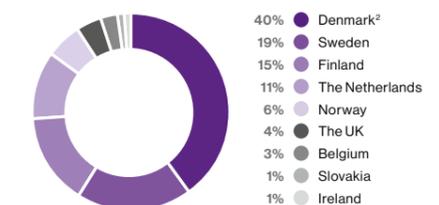
Manufacturing and sales of Cloetta's products generate economic value that benefits its stakeholders.



Taxes paid



Taxes paid per country

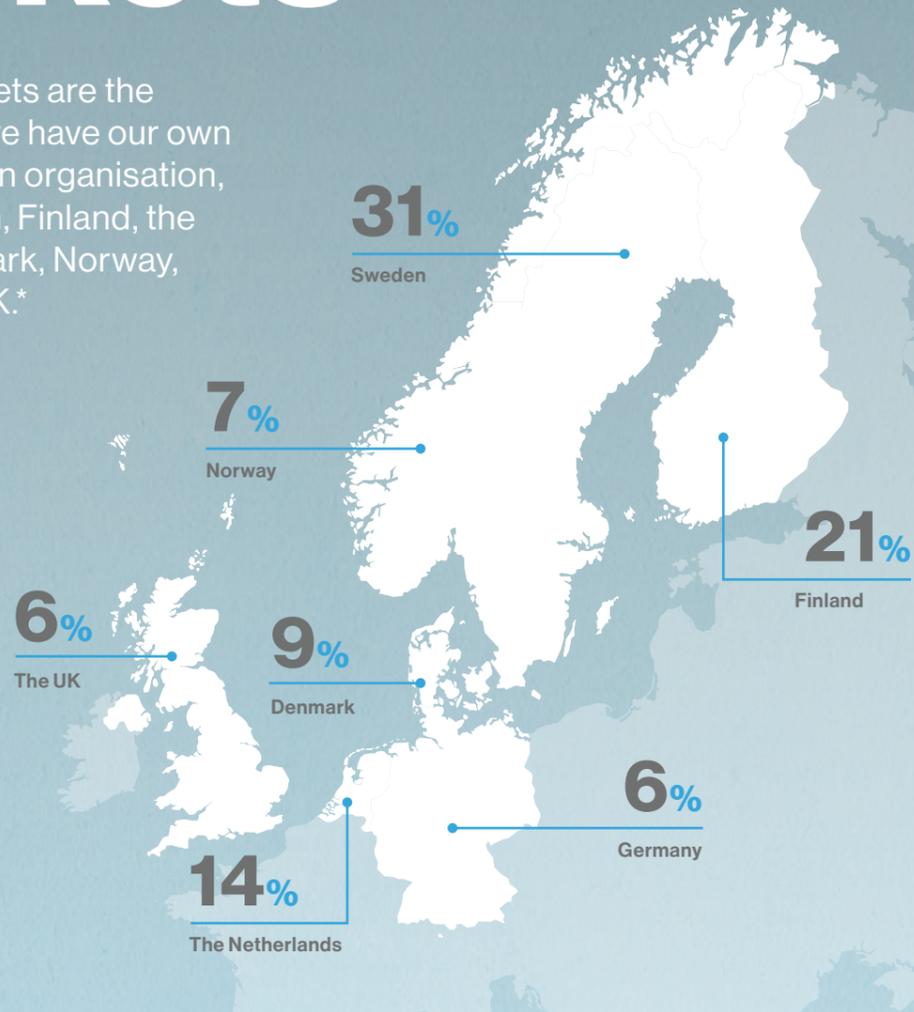


Our intention is to pay taxes in accordance with international and local legislation in the countries where Cloetta is operational.

1) Generated value of SEK 6,046m excluding profit for the year, amortisation, depreciation and impairments and including paid dividends. Total retained economic value of SEK 517m.
2) Tax paid in Denmark is proportionally higher due to sugar taxes.

Cloetta's main markets

Cloetta's main markets are the countries in which we have our own sales and distribution organisation, and include Sweden, Finland, the Netherlands, Denmark, Norway, Germany and the UK.*



6% International markets

Category position

Market	Candy	Pastilles	Chocolate	Chewing gum	Pick & mix
Sweden	1	1	2	-	1
Finland	2	1	3	1	1
Norway	1	3	5	-	1
Denmark	2	1	-	-	1
The Netherlands	1	-	-	2	-
Germany	5	-	-	-	-
The UK	*	-	-	-	1

*) Presence on the market without confirmed market position. Source: Kesko, SOK, IRI and Nielsen

*) The market consumption data calculations have been updated vs previous years and this may affect the comparability vs the market consumption numbers stated in the Annual and Sustainability Report 2020.

Sweden

Sweden is the largest single market in the Nordic region, with a population of around 10.4 million people and almost one third of the total confectionery consumption. In 2021, the Swedish market recorded consumer sales of around SEK 15 bn, an increase compared to the prior year.

Sales channels

Cloetta's largest customers include Axfood, Coop, ICA, Bergendahls and Privab. The Swedish grocery retail trade is concentrated and increasingly centrally controlled, 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 accordance with the central agreements, and also to provide the trade with support in implementing campaigns and launches. The pick & mix concepts are handled by a dedicated sales and merchandising organisation. The service trade is a vital sales channel. In recent years, alternative sales channels such as building supply stores, cinemas and arenas have become increasingly important.

Organisation

In Sweden, there are a total of around 230 employees in the sales and merchandising organisation and the office in Malmö.



Share of sales

0.8%

Total market CAGR 2016–2021

Top-selling brands



Categories

Confectionery market excl. pick & mix

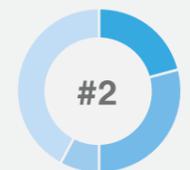


34% Candy and pastilles
55% Chocolate
11% Chewing gum

Source: Global data

Largest players

Confectionery market excl. pick & mix



21% Cloetta
29% Mondelez
8% Fazer
42% Others

Source: Nielsen

Finland

Finland is the third largest market in the Nordic region, with a population of around 5.5 million people and one fourth of the total confectionery consumption. In 2021, the Finnish market recorded consumer sales of around SEK 13 bn, an increase compared to the prior year.

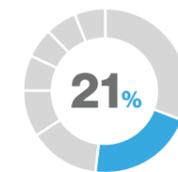
Sales channels

The Finnish grocery retail trade is dominated by two players, Kesko and S-Group. Lidl also has a large share of retail trade with 10 per cent. Finland has the most centralised purchasing of all the Nordic

region markets which enables new products to achieve wide distribution and quickly become available to consumers. Cloetta's largest customers include S-Group, Kesko and Tokmanni. Cloetta is the market leader in Pick & mix which represents about 8 per cent of the total market value.

Organisation

In Finland, there are around 200 employees in the sales and merchandising organisation and at the office in Turku. Cloetta Finland employs around 130 people in field sales, visiting stores every day.



Share of sales

3.0%

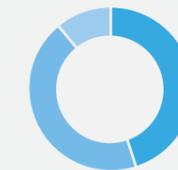
Total market CAGR 2016–2021

Top-selling brands



Categories

Confectionery market excl. pick & mix

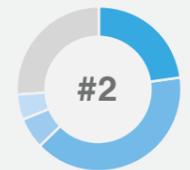


45% Candy and pastilles
44% Chocolate
11% Chewing gum

Source: Global data

Largest players

Confectionery market excl. pick & mix



23% Cloetta
40% Fazer
6% Orkla
5% Mondelez
26% Others

Source: Kesko and SOK

The Netherlands

The Netherlands is the sixth largest confectionery market in Western Europe, with a population of around 17.4 million. In 2021, the Dutch market recorded consumer sales of around SEK 25 bn, an increase compared to the prior year.

Sales channels

The grocery retail trade is concentrated around a few major players. Primarily centralised purchasing allows for wide and rapid distribution of new products that are launched. Other important channels include the hard discount retail chains, pharmacies and out-of-home. Online grocery shopping has a stronger position in the Netherlands

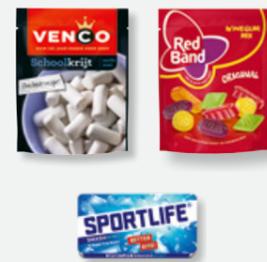
than in any other of Cloetta's main markets, despite the fact that overall e-commerce is lagging in the Netherlands. Cloetta's largest customers include Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam.

Organisation

Cloetta has around 85 employees in the commercial organisation at the office in Oosterhout mainly focusing on the Dutch market. The Oosterhout office also supports the Cloetta International Markets division through back-office and support activities including demand, customer service, marketing, business controlling and finance & accounting.



Top-selling brands



Categories

Confectionery market excl. pick & mix



Source: Global data

Largest players

Confectionery market excl. pick & mix and other chocolate (includes chocolate specialities)



Source: IRI

Denmark

Denmark accounts for around 15 per cent of the Nordic region's total confectionery consumption, with a population of around 5.8 million. In 2021, the Danish market recorded consumer sales of around SEK 12 bn, in line with prior year.

Sales channels

The grocery trade in Denmark is moving towards increasing centralisation, albeit with a combination of centrally driven chains and a more decentralised approach than in the other Nordic countries.

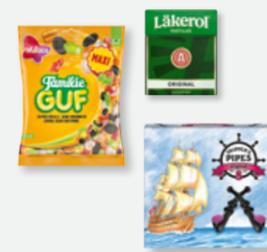
Extensive efforts are therefore required at an individual store level to achieve distribution and sales of in-store display racks. Growth in the discount channel has ceased and new channels such as non-food outlets and DIY stores are growing in importance. Cloetta's largest customers include Coop, Salling Group and Reitan.

Organisation

In Denmark, there are around 100 employees at the offices in Brøndby and Randers and in the sales and merchandising organisation.



Top-selling brands



Categories

Confectionery market excl. pick & mix



Source: Global data

Largest players

Confectionery market excl. pick & mix



Source: Nielsen

Norway

Norway is the smallest market in the Nordic region, with a population of around 5.4 million and just under a sixth of the region's total confectionery consumption. In 2021, the Norwegian market recorded consumer sales of around SEK 13 bn, an increase compared to the prior year.

Sales channels

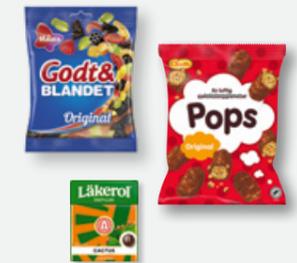
Cloetta's largest customers include Coop, NorgesGruppen and Rema 1000.

Organisation

In Norway, Cloetta has around 30 employees at the office in Høvik just outside of Oslo and in the sales and merchandising organisation.



Top-selling brands



Germany

Germany is the largest market in Western Europe, with a population of around 83.2 million people. In 2021, the German market recorded consumer sales of around SEK 111 bn, an increase compared to the prior year.

Sales channels

The market is characterised by its large proportion of discounters and fierce competition. Cloetta's largest customers include Edeka, Lidl & Schwarz, Metro and Rewe.

Organisation

Cloetta has its own sales organisation in Bocholt, Germany with 14 employees. The office takes care of marketing, customers and the brands, and also has direct contact with all major customer groups, which are supplied directly out of the German central warehouse. To ensure full country service coverage, Cloetta Germany works with sales agents in seven regions and more than 80 sales representatives.



Top-selling brands



United Kingdom

The UK is the second largest market in Western Europe, with a population of around 67.2 million people. In 2021, the UK market recorded consumer sales of around SEK 83 bn, a decline compared to the prior year.

Sales channels

The market is characterised by fierce competition from all international confectionery companies. Cloetta's largest customers include Wilko's and Tesco.

Organisation

Both the Branded packaged products business and the Pick & mix business are commercially managed from Cloetta's office in Fareham. Cloetta has a sales and merchandising team of approximately 130 people.



Top-selling brands



International Markets

International Markets consist primarily of sales to countries where Cloetta does not have its own sales and marketing organisation, a total of more than 50 markets. In these markets Cloetta focuses on three categories: candy, chocolate and pastilles, which encompass five strategic Cloetta brands including The Jelly Bean Factory, Red Band and Läkerol as well as some strong regional Cloetta brands.

Sales channels

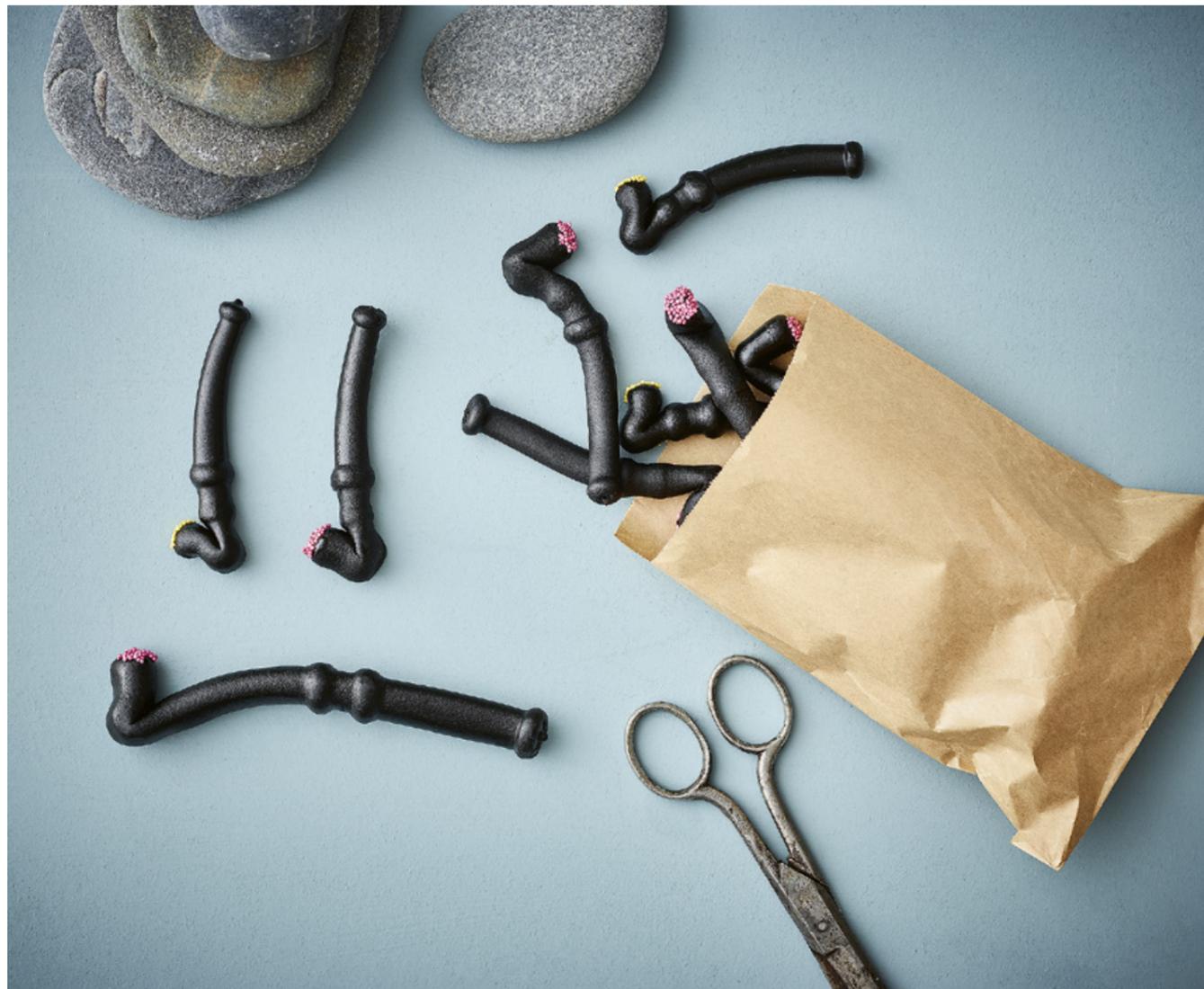
Cloetta's largest distributors include Continental Sweets (Belgium), Tosuta (Canada) and Spiwag (Switzerland).

Organisation

All markets within International Markets are serviced by external distributors managed out of regional hubs, which Cloetta has in APAC, the Baltics, Dubai and Switzerland. All other distributors are managed by local Cloetta staff in Oosterhout in the Netherlands.



Top-selling brands



Share and shareholders

Cloetta's class B shares have been listed on Nasdaq Stockholm since 16 February 2009. Cloetta was originally introduced on the stock exchange in 1994 and has been listed in a number of different owner constellations since then. Cloetta's shares are part of the OMX Stockholm Mid Cap index, and also the Nordic and Swedish industry sector index for Food Producers, Food & Beverage and Consumer Goods.

7 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. Our brands have been cherished for generations and consumers have a personal relationship with the brands they have grown up with.
- 2 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 one and two per cent.
- 3 Focus on continued margin expansion**
 In order to move towards our financial target to reach an adjusted EBIT margin of at least 14 per cent, there will be a continued focus on cost-effectiveness, growth and profitability.
- 4 Clear strategy to deliver growth**
 In order to drive growth, the most important daily activities include broadening distribution, updating packaging, promotional and advertising activities, line extensions and launching of seasonal products. In addition to these, strategic activities such as innovation, geographical roll-outs, brand extensions and brand relaunches are also given priority. Selective acquisitions are also part of our growth strategy.
- 5 Strong market positions and distribution**
 In our core markets, we have strong sales and marketing organisations that have excellent relations with the retail trade. Cloetta's wide portfolio of market-leading products creates economies of scale, and our brands are often highly important to the retail trade.
- 6 Attractive cash-flow generation and dividend**
 Cloetta's business has a very strong cash-generating capacity. Low and stable capital expenditure combined with effective 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 for the year.
- 7 Sustainable value creation**
 Our sustainability agenda takes a holistic perspective on how to create long-term value. This approach reduces environmental and social risks, and strengthens partnerships for our future.



Shareholders¹

At 31 December 2021, Cloetta AB (publ) had 35,689 (34,859) shareholders, an increase of 2 (40) per cent since the previous year-end. Of the shareholders, 1,307 were financial and institutional investors and 34,382 were private investors. Financial and institutional investors held 86.8 per cent of the votes and 84.5 per cent of the share capital. There were 1,023 foreign shareholders who held 36.3 per cent of the votes and 42.8 per cent of the share capital. The 15 largest shareholders accounted for 64.1 per cent of the votes and 57.6 per cent of the share capital. At 31 December 2021, AB Malfors Promotor was Cloetta's largest shareholder with a holding representing 40.1 per cent of the votes and 29.4 per cent of the share capital in the company. The second largest shareholder was La Financière de l'Echiquier, with 3.4 per cent of the votes and 4.0 per cent of the share capital, and the third largest shareholder was LSV Asset Management with 3.0 per cent of the votes and 3.5 per cent of the share capital.

Share price and trading²

Between 1 January and 31 December 2021, 192,684,138 Cloetta shares were traded

on Nasdaq Stockholm for a total value of SEK 4,990m, equal to around 68 per cent of the total number of class B shares at the end of the period. Trading on Nasdaq Stockholm accounted for 49.9 per cent, and other markets where the Cloetta share was traded include Cboe Global Markets at 36.8 per cent, LSE Group at 7.4 per cent and Aquis at 4.2.

The highest quoted bid price during the period from 1 January to 31 December 2021 was SEK 30.02 on 1 September 2021, and the lowest bid price was SEK 22.02 on 28 January 2021. The share price on 31 December 2021 was SEK 26.20 (last price paid). During the period from 1 January to 31 December 2021, Cloetta's share price increased by 6.3 per cent, while Nasdaq OMX Stockholm PI increased by 35.0 per cent.

The share's beta and standard deviation³

The price volatility of an individual share compared to the market as a whole is known as its beta. A beta of greater than 1 indicates that the share price is more volatile than the market average. The Cloetta share's beta in 2021 was 0.35 (0.76), which means that the Cloetta share was less volatile than the aver-

age on Nasdaq Stockholm. The Cloetta share had a standard deviation of 1.7 per cent (2.2) in 2021. Standard deviation is a measure of the share's variability from its average value for the measurement period, i.e. how volatile the share was during the year.

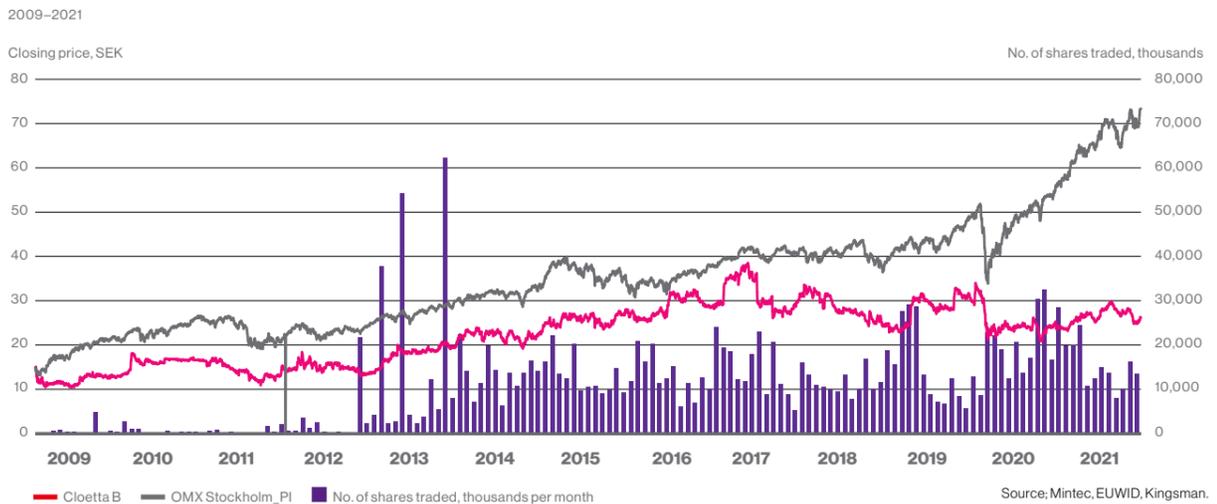
Share capital and capital structure

Cloetta's share capital at 31 December 2021 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, divided between 5,735,249 class A shares and 282,884,050 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 no less than 80,000,000 shares and no more than 320,000,000 shares. At 31 December 2021 Cloetta had 1,590,629 class B shares in treasury.

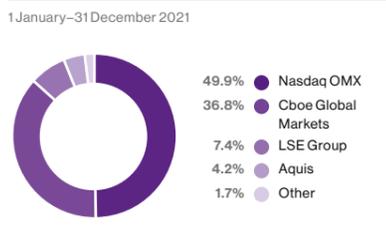
Dividend policy

Cloetta's long-term goal is a dividend payout of 40–60 per cent of profit for the year. The ambition is for the cash flow to be used for dividends, but that it should also provide

Share price performance

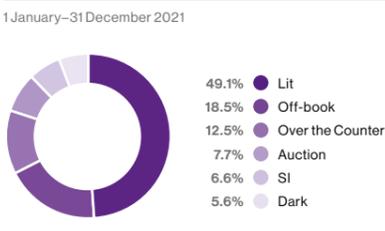


Marketplaces, %



Source: Monitor by Modular Finance

Trading categories, %



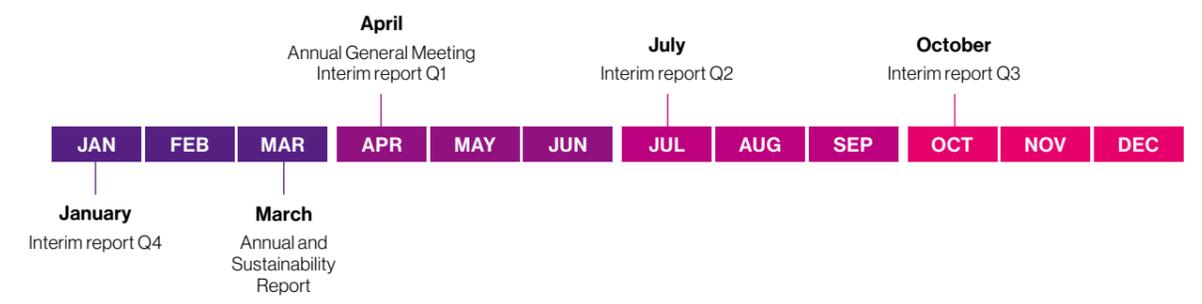
Source: Monitor by Modular Finance

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.
Over the Counter, trading of securities executed outside of formal exchanges and without the supervision of an exchange regulator.
SI, Systematic Internalisers, outside regulated markets or trading platforms.
Auction, auction trading process on an exchange.
Dark buyers and sellers trade shares anonymously, without public transparency. Not registered on any public exchange.

1) Source: Euroclear and Monitor 2) Source: Nasdaq Stockholm 3) Source: Bloomberg

Investor relations 2021

Cloetta meets regularly with investors and analysts. At least twice a year Cloetta arranges virtual or physical roadshows to Europe and the US. In addition, Cloetta regularly attends major investor club meetings, lunches and evening meetings organised by banks and the Swedish Shareholders Association (Aktiespararna).



financial flexibility for complementary acquisitions. 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 are carried out in the same manner as to shareholders in Sweden.

A dividend of SEK 216m was transferred to the shareholders in 2021. For 2021 the Board proposes a dividend of SEK 1.00 (0.75) per share, which is equal to 61 per cent (82 after changes in accounting treatment) of the 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 a dividend is granted to those persons who are listed as shareholders in the share register maintained by Euroclear Sweden AB on the record date.

Articles of Association

Cloetta's Articles of Association contain a Central Securities Depository (CSD) provision and its 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 ten votes and each B share one vote in shareholder meetings. All shares grant equal entitlement to the company's profits and an equal share in any surplus arising from liquidation. 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 class 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 preemption 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.

Individuals with an insider position

Persons discharging managerial responsibilities for Cloetta and persons or legal entities closely associated with them are obliged to notify Cloetta and the Swedish Financial

Supervisory Authority of every transaction conducted related to changes in their holdings of Cloetta shares once a total amount of EUR 5,000 has been reached within a calendar year, according to the regulation of the European Parliament and of the Council on Market Abuse. 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, and also other individuals who have obtained inside information. Cloetta records a logbook for each financial report or press release containing information that could affect the share price.

Silent periods

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



15 largest shareholders at 31 December 2021

The below shareholders information includes 1,590,629 B-share held in Treasury by Cloetta AB (publ).

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Aktiebolaget Malfors Promotor	40.1	29.4	84,929,542	5,729,569	79,199,973
La Financière de l'Echiquier	3.4	4.0	11,431,788	-	11,431,788
LSV Asset Management	3.0	3.5	10,238,148	-	10,238,148
Dimensional Fund Advisors	2.6	3.1	8,812,160	-	8,812,160
PRI Pensionsgaranti	1.8	2.2	6,265,542	-	6,265,542
Vanguard	1.8	2.2	6,213,099	-	6,213,099
Arrowstreet Capital	1.7	2.0	5,657,407	-	5,657,407
Ulla Håkanson	1.5	1.7	5,000,000	-	5,000,000
Norges Bank	1.5	1.7	4,962,203	-	4,962,203
Franklin Templeton	1.3	1.5	4,430,105	-	4,430,105
Avanza Pension	1.2	1.4	4,037,599	-	4,037,599
Polaris Capital Management	1.1	1.3	3,732,700	-	3,732,700
BlackRock	1.1	1.3	3,649,916	-	3,649,916
Olof Svenfelt	1.0	1.2	3,450,030	30	3,450,000
Thompson, Siegel & Walmsley LLC	1.0	1.1	3,233,300	-	3,233,300
Total, 15 largest shareholders	64.1	57.6	166,043,539	5,729,599	160,313,940
Other shareholders	35.9	42.4	122,575,760	5,650	122,570,110
Total	100.0	100.0	288,619,299	5,735,249	282,884,050

Source: Monitor by Modular Finance AB. Compiled and processed from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority. Nominee accounts/shareholders are not included in this compilation.

Size categories at 31 December 2021

	No. of shareholders	Total no. of shares	No. of A-shares	No. of B-shares	Capital, %	Votes, %
1–500	27,006	3,246,253	3,279	3,242,974	1.1	1.0
501–1,000	3,603	2,979,580	500	2,979,080	1.0	0.9
1,001–5,000	3,872	9,098,406	1,757	9,096,649	3.2	2.7
5,001–10,000	542	4,188,121	-	4,188,121	1.5	1.2
10,001–15,000	159	2,021,090	-	2,021,090	0.7	0.6
15,001–20,000	111	2,066,261	-	2,066,261	0.7	0.6
20,001–	396	265,019,588	5,729,713	259,289,875	91.8	93.0
Total	35,689	288,619,299	5,735,249	282,884,050	100.0	100.0

Source: Euroclear

Shareholders by country at 31 December 2021

	No. of share-holders	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	34,578	63.2	56.6	163,409,835	5,735,249	157,674,586
The US	54	18.0	21.2	61,238,191	-	61,238,191
France	14	3.7	4.3	12,544,267	-	12,544,267
Finland	205	2.4	2.8	8,047,426	-	8,047,426
Norway	80	2.2	2.6	7,395,016	-	7,395,016
Other countries	758	10.5	12.5	35,984,564	-	35,984,564
Total	35,689	100.0	100.0	288,619,299	5,735,249	282,884,050

Source: Monitor by Modular Finance AB

Shareholder categories at 31 December 2021

	No. of shareholders	% of shareholders	% of votes	% of share capital
Private investors	34,382	96.3	13.2	15.5
<i>Of which, Swedish residents</i>	34,186	95.8	13.1	15.4
Legal entities	1,307	3.7	86.8	84.5
<i>Of which, Swedish residents</i>	480	1.3	50.6	41.8
Total	35,689	100.0	100.0	100.0
<i>Of which, Swedish residents</i>	34,666	97.1	63.7	57.2

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 de-merger 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

Incentive schemes

The table below represents the main characteristics of the share-based long-term incentive plans that have been approved by the AGM. For more information about the incentive plans, see pages 64–65, and Note 23 on pages 104–107.

	LTI 2021	LTI 2020	LTI 2019	LTI 2018	LTI 2017
AGM approval date	April 2021	April 2020	April 2019	April 2018	April 2017
Maximum number of B shares to be allocated	1,590,629	1,206,374	1,648,046	1,201,602	1,221,698
as a percentage of total shares	0.6	0.4	0.6	0.4	0.4
as a percentage of voting rights	0.5	0.4	0.5	0.4	0.4
Number of employees offered the opportunity to participate	48	45	45	54	70
Number of participants at inception date	38	30	30	44	49
Estimated number of B shares to be allocated, subject to possible recalculation	1,176,742	-	-	-	-
as a percentage of total shares	0.4	0.0	0.0	-	-
as a percentage of voting rights	0.3	0.0	0.0	-	-
Number of participants at reporting date	37	26	23	-	-
Vesting date	-	-	-	27 April 2021	28 April 2020
Realised performance target, %	-	-	-	0.0	0.0
Actual number of matching shares granted on vesting date	-	-	-	136,625	95,264
Actual number of performance shares granted on vesting date	-	-	-	-	-
Total number of B shares granted on vesting date	-	-	-	136,625	95,264
as a percentage of total shares	-	-	-	0.0	0.0
as a percentage of voting rights	-	-	-	0.0	0.0
Number of participants at vesting date	-	-	-	31	30

Analysts

The following analysts regularly monitor Cloetta's development:

Handelsbanken: Nicklas Skogman
nisk03@handelsbanken.se

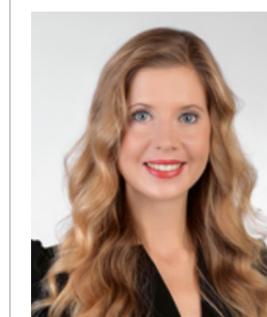
Nordea: Stefan Stjernholm
stefan.stjernholm@nordea.com

SEB: Andreas Lundberg
andreas.lundberg@seb.se

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	288,619,299 A and B shares
Highest price paid in 2021	SEK 30.02 (1 September 2021)
Lowest price paid in 2021	SEK 22.02 (28 January 2021)
Last price paid 2021	SEK 26.20
Share price growth in 2021	6.9 per cent
The share's beta against SIXGX	0.35 (0.76)
The share's standard deviation	1.7 (2.2)

IR contact



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Frequently asked questions to Cloetta

How will you meet your margin target?

The long-term goal of an adjusted EBIT margin of at least 14 per cent will be achieved by recovering the impacts from Covid-19, including volumes and value within Pick & mix as well as profitable growth and product mix within Branded packaged products. In addition, we will continue to drive cost-savings and efficiency activities throughout the entire value chain.

Do you plan to make additional acquisitions, and if so, in which countries?

We aim to pursue selective acquisitions that are consistent with our current product portfolio. This means that we acquire brand-driven companies within the same categories, preferably in countries where we are already active. We may also acquire brands within our categories but in countries that are close to our main markets.

Will you use your strong cash flow for acquisitions, to reduce debt or to pay dividends to shareholders?

In 2021, we once again delivered very strong cash flow, resulting in a net debt/EBITDA of 2.0x as we closed the year, well below our long-term target of 2.5x. We therefore deem that we have the capacity for both acquisitions and share dividends. The dividend pay-out ratio should be 40 to 60 per cent of net profit.

What is your pricing strategy?

We adjust our prices based mainly on fluctuations in raw material costs and exchange rates. Historically, we have managed to offset headwinds from raw material and

currency through pricing. Sometimes we also adjust prices in conjunction with initiatives such as new product launches or changes in packages.

How are you mitigating the current rises in input costs and supply chain challenges?

Input costs, including for raw materials, packaging, freight, and energy, are increasing. We have announced and initiated negotiations concerning price increases in response to the significantly higher cost inflation. These are expected to take gradual effect as of the beginning of 2022. Historically, we have managed to offset headwinds from raw material and currency through pricing.

How is Cloetta affected by the ongoing debates about sugar, health and childhood obesity?

For those seeking an alternative to products with sugar, Cloetta offers options such as nuts, chewing gum with xylitol and pastilles. Additionally, we are offering candy with lower sugar and no sugar. We also believe that the major challenge in this context is hidden sugar that is found in various food and beverages. Cloetta's products are among the most honest, since all consumers are aware that they contain sugar.

How big is the risk that various sugar taxes will be introduced, and how will that affect you?

In general, we have to count on the possibility that different countries will both introduce and abolish sugar and confectionery taxes from time to time. When different

taxes are introduced it naturally affects our sales, but only initially and to a fairly minor extent since our products are of a type that consumers want, and can afford to treat themselves to, despite price increases.

Why do you use palm oil in your products?

Palm oil in and of itself is a very good oil. It is very effective for surfaces and has excellent properties for food production. To prevent negative environmental consequences, Cloetta only uses RSPO-segregated palm oil, which means that the oil is produced sustainably and does not contribute to destruction of rainforests. However, the small amount of palm oil that was previously used in the glazing of a number of candy products, to give them a protective surface and prevent them becoming sticky, has been exchanged for alternative oils.

Why don't you sell product X or Y anymore, and do you have any plans to launch product Z?

If we no longer sell a product, this is unfortunately often due to insufficient demand for the product in question. In certain cases, it could also be because the product's profitability has been too low or even negative. The launch of new product types can sometimes be difficult if we lack a brand that can carry them, and at the same time the necessary marketing investments can be so high that the products would not be profitable.

Financial performance

The effect of the change in accounting for cost of configuration or customisation in a cloud computing arrangement has been included in accordance with IAS 8, and is recorded retrospectively in the opening balance of 1 January 2020 and in the comparative figures of 2020. All financial measures affected by this restatement are identified with an asterisk in this financial performance chapter. The figures presented are the restated figures. See pages 113–114 for further details on the adjustments to previously reported figures.

Net sales and profit

Condensed consolidated profit and loss account

SEKm	2021	2020
Net sales	6,046	5,695
Cost of goods sold	-3,898	-3,718
Gross profit	2,148	1,977
Selling expenses	-938	-951
General and administrative expenses*	-645	-584
Operating profit*	565	442
Net financial items	-7	-59
Profit before tax*	558	383
Income tax*	-86	-118
Profit for the year*	472	265

* Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See pages 113–114 for further details.

Net sales

Net sales for the year increased by SEK 351m to SEK 6,046m (5,695) compared to last year. Organic growth was 8.4 per cent and exchange rate differences were -2.2 per cent. Sales of branded packaged products increased by 3.5 per cent. Pick & mix sales increased by 31.7 per cent.

Sales of branded packaged goods account for 78 per cent (79) of total sales, and pick & mix accounts for 22 per cent (21) of total sales. Divided by category, candy accounts for 61 per cent (59) of sales

and chocolate accounts for 19 per cent (17). Pastilles account for 10 per cent (12), chewing gum for 5 per cent (7), nuts for 3 per cent (3) and other products for 2 per cent (2).

Sales in seven main markets

Cloetta has seven main markets, of which Sweden is the largest with around 31 per cent (31) of Cloetta's sales. The second largest market is Finland with 21 per cent (22). The Netherlands accounts for 14 per cent (15), Denmark for 9 per cent (9), Norway for

7 per cent (6), Germany for 6 per cent (6) and the UK for 6 per cent (5).

Sales of branded packaged products grew in Sweden, Denmark, Norway, Finland, the Netherlands, Germany and International Markets, and declined slightly in the UK. Sales of pick & mix grew in all Cloetta markets.

International Markets

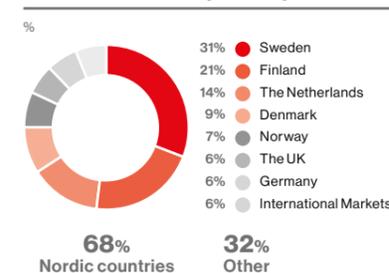
In addition to the main markets, Cloetta's products are sold through distributors in more than 50 countries. Sales in these other markets increased in 2021 and accounted for 6 per cent (6) of Cloetta's sales.

Pricing strategies

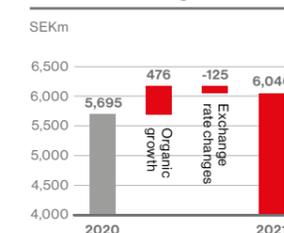
In Cloetta's main markets the grocery trade is consolidated with few, very large retail chains. In total, Cloetta's ten largest customers accounted for around 51 per cent (51) of the Group's sales.

Concentration of the grocery retail trade exerts strong price pressure on all our suppliers. Cloetta continuously improves its efficiency to cope with the pressure from the grocery retail trade. To offset changes in raw material costs and exchange rates, Cloetta's strategy is to pass these on by adjusting its prices. For more information on Cloetta's pricing strategy, see page 44.

Cloetta's net sales by country



Net sales – change



Net sales



Gross profit
Gross profit amounted to SEK 2,148m (1,977) which is equal to a gross margin of 35.5 per cent (34.7).

Operating profit
Operating profit amounted to SEK 565m (442). Operating profit, adjusted for items affecting comparability, amounted to SEK 571m (495). The adjusted operating profit increase was driven by higher gross profit, partly offset by higher marketing investment and higher general and administrative expenses. Last year, the adjusted operating profit was favourably impacted by lower costs for incentive programmes.

Items affecting comparability
Operating profit for the year includes items affecting comparability of SEK -6m (-53) that are related to costs for restructuring. The items affecting comparability in 2020 mainly related to the impairment of assets in connection to the outsourcing of the nuts manufacturing and reorganisation costs for

the outsourcing of the nuts manufacturing and reorganisation in Sweden.

Employees
The average number of employees was 2,599 (2,653).

Research and development
Costs for research and development (R&D) were charged to operating profit for an amount of SEK 31m (26) and are primarily attributable to the development 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 capitalised.

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 the quarter in which it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which

is mainly attributable to the sale of products in Sweden in connection with the holiday season.

Net financial items
Net financial items for the year amounted to SEK -7m (-59). Interest expenses related to external borrowings were SEK -33m (-32), exchange differences on cash and cash equivalents were SEK 33m (-10) which mainly related to the development of the Swedish and Norwegian krona and the Great Britain pound against the euro during the year. Other financial items amounted to SEK -7m (-17). Of the total net financial items SEK -33m (57) is non-cash in nature.

Profit for the year
Profit for the year was SEK 472m (265). Income tax for the period was SEK -86m (-118). The effective tax rate for the period was 15.4 per cent (30.8) and was positively impacted by the release of a tax provision, revaluation of deferred tax assets following changes in enacted tax rates, the utilisation

Quarterly data

	2021	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4
Net sales, SEKm	6,046	1,398	1,420	1,566	1,662	5,695	1,518	1,237	1,474	1,466
Operating profit, SEKm*	565	103	126	179	157	442	145	101	82	114
Operating profit, adjusted, SEKm*	571	107	127	180	157	495	148	106	125	116
Operating profit margin, %*	9.3	7.4	8.9	11.4	9.4	7.8	9.6	8.2	5.6	7.8
Operating profit margin, adjusted, %*	9.4	7.7	8.9	11.5	9.4	8.7	9.7	8.6	8.5	7.9

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See pages 113–114 for further details.

Net financial items

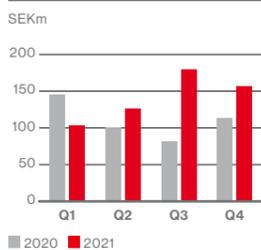
SEKm	2021	2020
Exchange differences on cash and cash equivalents in foreign currencies	33	-10
Other financial income	2	2
Unrealised gains or losses on single currency interest rate swaps	7	1
Interest expenses on third-party borrowings and realised losses on single currency interest rate swaps	-33	-32
Interest expenses, third-party pensions	-5	-7
Other financial expenses	-11	-13
Net financial items	-7	-59

Key ratios

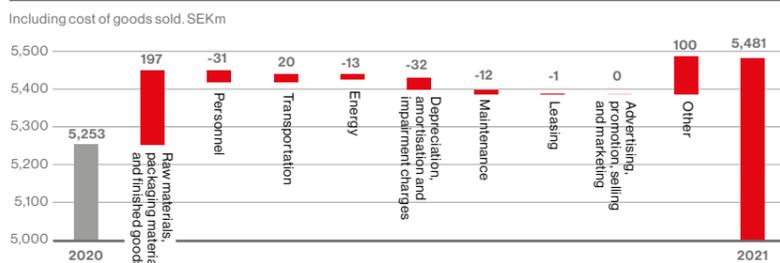
%	2021	2020
Gross margin	35.5	34.7
Operating profit margin*	9.3	7.8
Operating profit margin, adjusted*	9.4	8.7
Return on capital employed*	7.9	6.0
Return on equity*	10.5	6.4

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See pages 113–114 for further details. For definitions, see pages 144–145.

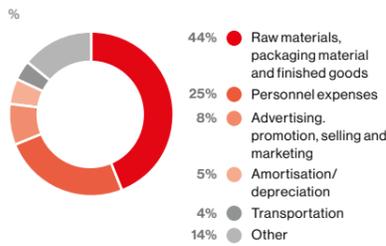
Operating profit, adjusted



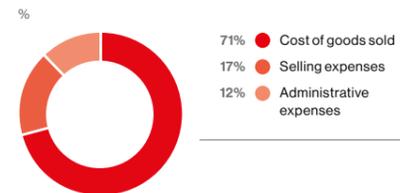
Operating expenses – change



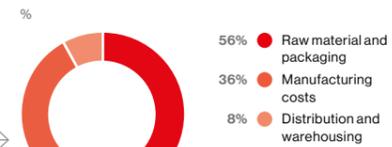
Operating expenses – by type



Operating expenses – by category



Cost of goods sold



of unrecognised tax losses carried forward and differences between expected and actual tax filings related to the previous year.

The release of the tax provision and the utilisation of the unrecognised tax losses combined, reduced the effective tax rate with approximately 7 percentage points. Non-deductible expenses and international tax rate differences had a negative impact on the effective tax rate for the period.

Profit for the year equates to basic and diluted earnings per share of SEK 1.64 (0.92).

Sensitivity analysis

The effects on profit before tax of changes in the Swedish krona against the euro, interest rate and average raw material prices are shown in the table at the right. These are

estimated effects which could occur with an isolated change in each variable and should be interpreted with caution. The calculations are hypothetical and should neither be considered as an indicator of either of these factors being more or less likely to change, nor the size of the magnitude of the change. Real changes and their effects may be larger or smaller than presented in the table. In addition, it is likely that the actual changes will affect other items, and that actions by Cloetta and others, as a result of the changes, may thereby affect other items.

Cloetta's development is affected by multiple factors, which include those disclosed in the section Risks and risk management on pages 52–56.

Sensitivity analysis

	Change	Profit before tax
Currency risk If the Swedish krona weakens/strengthens against the euro	-/+ 10%	+/- SEK 40m
Interest rate risk Interest rate	+/- 1%	+/- SEK 1m
Commodity price risk Average raw material prices	+/- 10%	+/- SEK 103m



Financial position

Consolidated balance sheet

SEKm	31 Dec 2021	31 Dec 2020
ASSETS		
Non-current assets		
Intangible assets*	5,582	5,530
Property, plant and equipment	1,576	1,560
Deferred tax asset*	42	21
Derivative financial instruments	2	-
Other financial assets	5	3
Total non-current assets*	7,207	7,114
Current assets		
Inventories	843	952
Trade and other receivables	787	736
Current income tax assets*	19	30
Derivative financial instruments	1	-
Cash and cash equivalents	692	396
Total current assets*	2,342	2,114
TOTAL ASSETS*	9,549	9,228
EQUITY AND LIABILITIES		
Equity*		
	4,515	4,153
Non-current liabilities		
Long-term borrowings	2,162	111
Deferred tax liability*	863	836
Derivative financial instruments	-	0
Provisions for pensions and other long-term employee benefits	505	512
Provisions	-	5
Total non-current liabilities*	3,530	1,464
Current liabilities		
Short-term borrowings	206	2,368
Derivative financial instruments	0	54
Trade and other payables	1,267	1,144
Provisions	5	24
Current income tax liabilities*	26	21
Total current liabilities*	1,504	3,611
TOTAL EQUITY AND LIABILITIES*	9,549	9,228

* Comparative figures have been restated as a consequence of the change in accounting treatment or cloud computing arrangements. See pages 113–114 for further details.

Assets

Total assets at 31 December 2021 amounted to SEK 9,549m (9,228), which is an increase of SEK 321m compared to the previous year.

Non-current assets

Intangible assets totalled SEK 5,582m (5,530). The change consists mainly of exchange differences related to intangible assets recognised in foreign subsidiaries of SEK 86m (-118). Investments for the year amounted to SEK 1m (8) and amortisation amounted to SEK -26m (-32).

Of total intangible assets, 99 per cent (98) or SEK 5,501m (5,424) pertained to goodwill and trademarks at 31 December 2021. Goodwill and trademarks are tested at least yearly for impairment.

Property, plant and equipment amounted to SEK 1,576m (1,560). The year's investments amounted to SEK 229m (349). The year's investments in property, plant and equipment referred primarily to continuous efficiency-enhancing and replacement investments in the existing production lines, as well as investments in pick & mix fixtures.

Depreciation amounted to SEK -234m (-248). Exchange differences related to tangible assets recognised in foreign subsidiaries amounted to SEK 27m (-52) during the year.

Current assets

Current assets amounted to SEK 2,342m (2,114). This change is mainly due to a combination of higher cash and cash equivalents of SEK 296m and an increase in trade and other receivables of SEK 51m partly offset by lower inventories of SEK 109m.

Equity and liabilities

Equity

Consolidated equity at 31 December 2021 amounted to SEK 4,515m (4,153), which equates to SEK 15.7 (14.4) per share. On the balance sheet date, the share capital amounted to SEK 1,443m (1,443). The equity/assets ratio on the same date was 47.3 per cent (45.0).

Liabilities

Non-current liabilities amounted to SEK 3,530m (1,464), which is an increase of SEK 2,066m compared to the previous year. Long-term borrowings totalled SEK 2,162m (111) and consisted of SEK 2,081m (0) in gross non-current loans from credit institutions, SEK 84m (112) in non-current lease liabilities and SEK -3m (-1) in capitalised transaction costs. The deferred tax liability increased by SEK 27m to SEK 863m. Pension provisions decreased by SEK 7m to SEK 505m.

Total short-term borrowings amounted to SEK 206m (2,368) and consisted of commercial papers of SEK 150m (250), current lease liabilities of SEK 59m (64), gross loans from credit institutions of SEK 0m (2,054), capitalised transaction costs of SEK -3m (-1) and accrued interest on borrowings from credit institutions of SEK 0m (1).

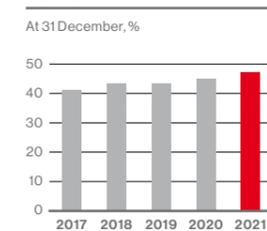
Borrowings

Cloetta agreed on refinancing the Group through its existing banks for up to four years with the possibility to extend for an additional two years. The new multi-currency term and revolving facilities agreement came into effect on 30 June 2021.

The facilities agreement bears variable interest at a rate based on STIBOR, plus an applicable fixed margin for loans in SEK,



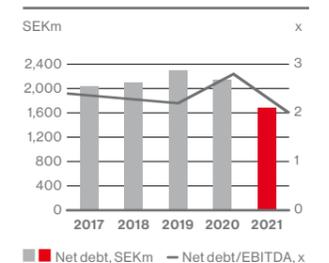
Equity/assets ratio



Equity



Net debt/EBITDA



and variable interest at a rate based on EURIBOR plus an applicable fixed margin for loans in EUR. The applicable margin at 31 December 2021 was 1.05 per cent (0.90) for the outstanding loans in SEK and 1.15 per cent (1.05) for the outstanding loans in EUR. Interest on the commercial papers amounted to 0.48 per cent on average (0.66). Further, an additional 35 per cent (35) of the fixed applicable margin on the unutilised amounts of the credit revolving loans is paid as a commitment fee.

The combined effective interest rate for loans from credit institutions and the commercial papers was 1.01 per cent (0.93) for the year.

Change in capital employed

Capital employed during the year increased by SEK 190m to SEK 7,388m (7,198) compared to last year.

Net debt

SEKm	31 Dec 2021	31 Dec 2020
Gross non-current loans from credit institutions	2,081	-
Gross current loans from credit institutions	-	2,054
Commercial papers	150	250
Lease liabilities	143	176
Derivative financial instruments (non-current and current)	-3	54
Interest payable	-	1
Gross debt	2,371	2,535
Cash and cash equivalents	-692	-396
Net debt	1,679	2,139

Net debt

Interest-bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 1,679m (2,139). The net debt/equity ratio on the balance sheet date was 37.2 per cent (51.5).

Cash flow statement

Condensed consolidated cash flow statement

SEKm	2021	2020
Cash flow from operating activities before changes in working capital*	675	603
Cash flow from changes in working capital	183	38
Cash flow from operating activities*	858	641
Investments in property, plant and equipment	-193	-267
Investments in intangible assets*	-1	-8
Free cash flow	664	366
Other investing activities		
Disposals of property, plant and equipment	3	1
Cash flow from other investing activities	3	1
Cash flow from operating and investing activities	667	367
Cash flow from financing activities	-436	-476
Cash flow for the year	231	-109
Cash and cash equivalents at beginning of year	396	579
Cash flow for the year	231	-109
Exchange difference	65	-74
Cash and cash equivalents at end of year	692	396

* Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See pages 113–114 for further details.

Free cash flow

The free cash flow was SEK 664m (366). Cash flow from operating activities before changes in working capital was SEK 675m (603). The cash flow from changes in working capital was SEK 183m (38). The cash flow from investments in property, plant and equipment and intangible assets was SEK -194m (-275).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK 183m (38). The cash flow from changes in working capital was positively impacted by a decrease in inventories of SEK 123m (-90) and an increase in payables amounting to SEK 104m (-56), partly offset by an increase in receivables for an amount of SEK -44m (184).

Cash flow from other investing activities

Cash flow from other investing activities was SEK 3m (1).

Cash flow from financing activities

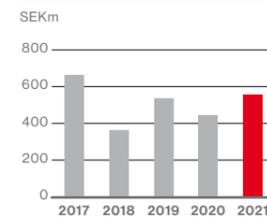
Cash flow from financing activities was SEK -436m (-476). The cash flow from financing activities was related to the dividend distribution of SEK -215m (-143), net proceeds and repayments of loans from

credit institutions and commercial papers including transaction costs of SEK -107m (-245), purchase of treasury shares of SEK -44m (0) and payments of lease liabilities of SEK -69m (-72). Other cash flows from financing activities amounted to SEK -1m (-16).

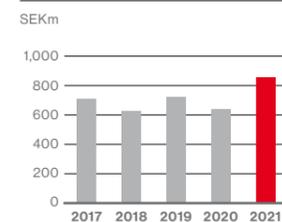
Cash and cash equivalents

The net cash flow was SEK 231m (-109), which together with exchange differences of SEK 65m (-74) increased cash and cash equivalents by SEK 296m to SEK 692m, compared to SEK 396m in the previous year. Cloetta had an unutilised credit facility of SEK 615m (1,204) and the possibility to issue additional commercial papers for an amount of SEK 850m (750). Cloetta's working capital is exposed to seasonal variations, partly resulting from a build-up of inventories in preparation for increased sales ahead of the Christmas holiday. This means that the working capital requirement is normally highest during the summer and lowest at year-end.

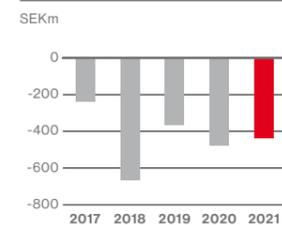
Free cash flow



Cash flow from operating activities



Cash flow from financing activities



Future outlook

Goal attainment

Cloetta's target is to increase sales organically at least in line with market growth. Historically, annual growth in the markets has been one to two per cent. In 2021, Cloetta's organic growth was 8.4 per cent; sales of Branded packaged products grew organically by 5.8 per cent and Pick & mix sales grew organically by 18.4 per cent. The strong growth reflects a recovery from the impact of Covid-19. Cloetta's long-term target is an adjusted EBIT margin of at least 14 per cent. In 2021, the adjusted EBIT margin was 9.4 per cent (8.7). The increase was driven by higher volumes and various

margin-enhancing initiatives in Pick & mix, partly offset by higher marketing investments and higher indirect costs. Another of Cloetta's long-term targets is to keep the net debt/EBITDA ratio around 2.5x. At 31 December 2021 the net debt/EBITDA ratio was 2.0x (2.8). The Board proposes an ordinary dividend of SEK 1.00 per share (0.75), corresponding to 60.8 per cent (81.7) of profit for the year. The ambition is to continue using future cash flows for payment of dividends while at the same time providing financial flexibility for investments. The long-term target of a payout ratio of 40 to 60 per cent of profit for the year remains unchanged.

Profitable growth

The strategy and financial targets for Cloetta stand firm. The focus in 2022 will be on growth leadership in Branded packaged products, creating sustainable value within Pick & mix as well as driving cost-savings and efficiency activities throughout the entire value chain.

Financial outlook

As in earlier years, Cloetta is not issuing any financial forecast for 2022.

Environmental impact and environmental management

Cloetta works to reduce its environmental impact through systematic environmental management. Our greatest direct environmental impact comes from water and energy consumption, wastewater emissions, waste and transportation. Over the entire life cycle of the products, the most significant environmental impact arises during raw material and packaging production. Cloetta complies with the statutory environmental requirements and is not involved in any environmental disputes. At 31 December 2021, Cloetta conducted operations at seven factories

in five countries. The Swedish factory in Ljungsbro were 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 operations on the environment.

Statutory sustainability report

Pursuant to the Swedish Annual Accounts Act, chapter 6, paragraph 10, Cloetta AB (publ) has chosen to prepare its statutory sustainability report as a separate report from the annual report. The sustainability report consists of pages 6–7, 10–11 (business model), 52–56 (risks and risk management) and 2–4, 9, 20–33, 61–63, 66, 136–142 (material sustainability matters, governance and performance indicators).



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 may have an adverse effect on Cloetta's business and results.

New 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 risk management within Cloetta or among its suppliers or customers.

Organisation for risk management

Cloetta's Board of Directors has a responsibility to the shareholders to oversee the company's risk management. Risk assessment associated with business development and long-term strategic planning is prepared by the Group Management Team and decisions are made by the Board of Directors.

The Group Management Team continually reports to the Board of Directors on risk areas such as the Group's financial status and compliance with Group's finance policy. Operational risk management that takes place at all levels of the organisation is regulated by Cloetta's Code of Conduct and a number of other central policies.

Identification of risks

The identification of risks and proactive measures to limit them, or prevent them from materialising and having a negative impact on operations, is of fundamental importance for operations and is a central part of every manager's responsibility at Cloetta. Cloetta works continuously to assess and evaluate the risks to which the organisation is, and can be, exposed. All events that could affect confidence in Cloetta or disrupt operations are essential to monitor and minimise. This is the responsibility of the Group Management Team and is managed through 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. Where possible,



risks are eliminated, and undesired events are minimised through proactive measures. Alternatively, risks can be transferred, for example through insurance or agreements. However, certain risks are impossible to eliminate or transfer. These are often an active part of business operations. We include climate-related risks and we intend to disclose information according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations within the next year.

Risk overview

A number of risk areas have been identified through Cloetta's risk management process.

A selection of these, and a brief description of how each risk area is handled, is presented on the following pages. The Group's financial risk management is also described in more detail in Note 26, on pages 107–109, and on page 5 more information regarding Covid-19 related risks can be found.

Pages 66–68 contain a description of the internal control processes and risk assessment aimed at preventing misstatements in the financial reporting.

Management of risks in the workplace environment is described on page 25.

Industry and market-related risks

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

	Risks PROBABILITY	Management IMPACT
Market climate	<p>Crises can have a negative impact on consumption patterns. This can affect Cloetta both with lower sales as well as a shift towards more price consciousness that can lead to retail customers experiencing lower profitability, which leads to price pressure. Global pandemics has a negative impact on consumption patterns as well as a sharp decrease of mobility which lower sales of impulse categories in channels such as convenience stores and travel retail.</p>	<p>Historically, the confectionery market has been relatively mildly affected by market downturns in consumption. This is particularly true for Cloetta's products, which most people can afford to buy. To support the customers' business and promote sound pricing development, Cloetta cooperates with its customers on in-store sales activities and other measures.</p> <p>The majority of Cloetta's sales come from grocery stores, which has remained open during a global pandemic as they are considered essential for society. Cloetta has proven to be able to adjust its business model to cope with the huge changes of consumer behaviour by being agile and adaptable.</p>
Competition	<p>The confectionery market is highly competitive and includes several major players. Furthermore, grocery retailers offer private labels that compete with certain Cloetta products.</p> <p>Cloetta is a significant pick & mix player, which by its nature is a market that often consists of multi-year contracts that must be continuously renewed. Competition from other players, including the grocery retail chains, may cause Cloetta to lose major contracts. Cloetta's drive to get to sustainable value creation means stepping up the differentiation of the pick & mix concepts to be able to demand a higher price in order to improve profitability.</p>	<p>This competition means that Cloetta needs to continue on its strategic journey to strengthen its key brands vs competition by good commercial execution, not the least by increasing brand support to competitive levels. Strong brand lead to more sales, can bear premiumisation and demand a price premium.</p> <p>Cloetta competes in the market by a strong consumer focus approach, insights generated will lead to product innovation, product quality, brand recognition and loyalty, marketing investments and in store execution.</p> <p>Cloetta endeavours to offer the best pick & mix concepts in terms of the customer and consumer experience. Furthermore, an integrated production chain enables Cloetta to be cost-effective in pick & mix.</p>
Retail trade development	<p>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.</p> <p>E-commerce is challenging the current retail structure, and will over time likely change the retail landscape substantially. The introduction of self-scanning services in stores might impact sales of Cloetta's products since they are often placed next to regular store checkouts. Events such as a global pandemic may accelerate the shift to e-commerce.</p> <p>Major retailers are joining the Science Based Target initiative to join the fight against climate change. They need suppliers to act in order to reach their climate targets.</p>	<p>Cloetta's strategic direction to strengthen its key brands and market position, together with a strong sales force and close cooperation with the retail trade enables Cloetta 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 2021, Cloetta's ten largest customers accounted for around 51 (51) per cent of the Group's total sales.</p> <p>Cloetta is working actively with retailers regarding e-commerce, helping them to learn how to sell impulse confectionery products online.</p> <p>By supporting retailers in learning how to sell products in self-scanning areas, Cloetta is able to maintain sales in the checkout area.</p> <p>As Cloetta joined the Science Based Target initiative in 2020, and set targets during 2021, we show our customers our willingness to collaborate towards climate goals, thus strengthening our relationship and position ourselves as a responsible supplier.</p>
Consumer trends Health and Sustainability	<p>Health trends and the debate on health, weight and sugar may have a negative impact on confectionery consumption. The health trend has also spurred a growing interest in natural raw materials. Significant events, such as a global pandemic may also affect both short-term and long-term consumer behaviour, but it's too early for us to make firm conclusions on that now.</p> <p>In the wake of rapid globalisation, individual consumers are more aware of how their consumption patterns affect the environment and social/ethical conditions all over the world. Consumers want to know more about product origins, manufacturing methods and raw materials. Information indicating that Cloetta, or Cloetta's suppliers, do not take adequate environmental or social responsibility could damage Cloetta's brand.</p>	<p>Health trends have not affected confectionery sales to any great extent, since confectionery is often eaten as a small luxury in everyday life.</p> <p>Cloetta has a Choice for You strategy, where we inform consumers about product content and calories and we work to offer lower sugar or sugar free alternatives next to portion control pack. In general we do not see a strong consumer trend against confectionery consumption. We also work on dental health propositions to promote dental health. In the long term, Cloetta's goal is for all products to be free from artificial colourants and additives (NAFNAC).</p> <p>Cloetta's sustainability agenda works in social, environmental and consumer-centric areas to improve our overall sustainability performance. Consumers' increased awareness opens an opportunity to inform and be transparent with our priorities when it comes to sourcing ingredients.</p> <p>Improving conditions in our supply chain remains a priority. Therefore, our Supplier Code of Conduct developed in 2020 was implemented during 2021.</p> <p>Cloetta sources certified raw materials where this is possible and continuously looks to improve conditions through cooperation with suppliers and NGO's.</p>

	Risks PROBABILITY	Management IMPACT
Laws and taxes	 <p>Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to restrictions in operations or bring about new and higher requirements. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different markets is not entirely correct or that such rules will change, possibly with retroactive effect.</p>	 <p>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 based on the information available. An increased focus on compliance in various areas will require more time and resources spent on ensuring such compliance and reporting.</p>
Raw material prices	 <p>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 can also be affected by agro-political decisions in the EU regarding quotas, support, subsidies and trade barriers, and also by rising living standards and the activity of financial investors on the commodities exchanges.</p>	 <p>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 ahead. If the average raw material prices had been 10 per cent higher/lower at 31 December 2021, profit before tax for the year would have been around SEK 103m lower/higher. Cloetta's policy is to compensate for higher raw material costs by raising prices to its customers.</p>

Operational risks

Operational risks can often be influenced, which is why they are normally regulated by policies, guidelines and instructions. Operational risks are part of Cloetta's day-to-day work and are managed by the operating units. Operational risks include those related to the brand, relocation of production, insurable risks and environmental, health and safety-related risks and IT-related risks.

	Risks PROBABILITY	Management IMPACT
Business ethics and brand risks	 <p>Demand for Cloetta's well-known brands is driven by consumers' association of these brands with positive values. If Cloetta or any of the Group's partners takes any measures that conflict with the values represented by the brands, the Cloetta brands could be damaged.</p>	 <p>Cloetta takes a proactive approach by adhering to a Code of Conduct and a policy on anti-corruption and bribery, as well as responsible marketing. A specific Supplier Code of Conduct developed in 2020 was implemented during 2021. It covers human and labour rights, business ethics and anti-corruption, health and safety, and environmental protection.</p>
Social conditions in the supply chain	 <p>Cloetta uses some raw materials that originate from regions or countries with an increased risk of human rights violations and corrupt behaviour. Further, political instability in places where raw materials are produced can have a negative impact on availability and costs.</p>	 <p>Cloetta's Supplier Code of Conduct is part of all supplier agreements. Cloetta assesses the raw materials and prioritises involvement with suppliers and organisations for certain materials based on climate, social and human-rights related risks. 100% of all cocoa purchased is UTZ/Rainforest Alliance certified. 100% of all palm oil used in Cloetta branded products is RSPO Certified Segregated palm oil which is one of the highest standards to ensure deforestation free and sustainably farmed palm oil. Certification of Cloetta's factories according to this standard has been upheld since 2019. Since 2017 Cloetta has purchased sustainable and traceable shea butter from women cooperatives in Africa. Since 2020, Cloetta has participated in a pilot initiative together with Rainforest Alliance to close the income gap for cocoa farmers in Africa.</p>

	Risks PROBABILITY	Management IMPACT
Environmental and climate related risks	 <p>There is a risk that climate change will impact Cloetta. This may involve transition risks such as changing rules and taxation, as well as physical risks. Physical risks include changes that are both long-term and urgent in nature, for example extreme weather conditions and natural catastrophes that could impact Cloetta's access to raw materials and disrupt business operations directly or indirectly. Climate-related risks are becoming an ever growing concern among the investment community and new initiatives such as the Task Force on Climate-related Financial Disclosures are receiving more attention.</p>	 <p>Cloetta is raising the ambition level to improve its total environmental footprint through the work in our sustainability agenda. The climate crisis coincides with a biodiversity crisis and water crisis, which agriculture is directly impacted by. Agriculture is at the very heart of both the risks but also of the potential solutions. The future of agricultural production is of course of utmost importance to the future of any food company. Therefore, Cloetta joined the Science Based Targets initiative to set targets and action plans to reduce our carbon footprint throughout our value chain, not only our own operations. We will cooperate with our customers and suppliers to find solutions that can tackle this enormous challenge. Cloetta manages the environmental and climate impact of its business operations through systematic work within the scope of the company's environmental management system.</p>
Product safety risks	 <p>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. These types of deficiencies in the handling of food products can lead to lower trust in Cloetta and the Group's brands.</p>	 <p>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 collated in special policies. Plans for information or product recalls in the event of deficiencies have been prepared.</p>
Insurable risks	 <p>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 incur substantial costs, resulting in direct costs, claims for financial compensation and damage to Cloetta's reputation. Cargo may be damaged in transit.</p>	 <p>Cloetta has an insurance programme for property and liability risks appropriate to Cloetta's operations, and works systematically to limit the risk of incidents and to have robust contingency plans in place to limit the effects of any incidents.</p>
Disruption and relocation of product manufacturing	 <p>Disturbances and inefficiencies in the supply chain, as well as undesirable effects on and from the external environment, such as a fire, strikes, pandemics or extreme weather, could result in stoppages in production, operations and deliveries, and thus negatively affect the company's business and reputation. To optimise efficiency, Cloetta continuously monitors capacity utilisation in manufacturing and evaluates the need to move manufacturing from one factory to another. This is however a complex process that can result in disruptions and delays in production, which can in turn also lead to delivery problems.</p>	 <p>Cloetta has a good monitoring process in place to anticipate short term disruption both in sourcing and delivery. In our factories we have clear protective protocols in place to reduce the risk, provide a safe workplace and limit the impact. Cloetta also has an experienced and efficient organisation with well-established routines for handling.</p>
Access to the right expertise	 <p>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 occasionally reorganises and streamlines its operations, which in the short term may have a negative impact on its performance.</p>	 <p>Cloetta endeavours to continue to be an attractive employer. Employee development and follow-up plans, together with market-based and competitive compensation, enable Cloetta to recruit and retain employees. Cloetta has a strong and experienced organisation that is well equipped to handle organisational changes.</p>
IT Security	 <p>Cloetta is highly dependent on having an efficient IT platform. Disruptions or faults in critical systems can have a direct impact on both production, financial systems, and business processes. Over the years efforts have been made to harmonise and standardise the IT landscape by minimising the number of supported IT applications and continuously invest in IT infrastructure. Examples of risk mitigation in infrastructure is redundant network access, mirrored and physically separated environments for critical business applications. The IT Security is the defence to protect against potential loss or harm related to technical infrastructure, use of technology or reputation of our organisation.</p>	 <p>Cloetta operates under a centrally controlled IT governance and continuously mitigates against all dimensions of attacks by assessing its cyber risk profile, remediating where recommended and proactively managing and investing in its defences.</p>

Financial risks

The primary financial risks are composed of foreign exchange, financing, interest rate and credit risks. Financial risks are managed by the Group's central finance function according to the guidelines in the finance policy established by Cloetta's Board of Directors. Financial risk management primarily aims to identify the Group's risk exposure and, with a certain degree of foresight, to attain predictability in the financial outcome and minimise possible unfavourable effects on the Group's financial results, in close cooperation with the Group's operating units. Consolidating and controlling these risks centrally enables the Group to minimise the level of risk while reducing the cost of measures such as currency hedging. Financial risk management is described in detail in Note 26, on pages 107–109.

	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 reporting currency is the Swedish krona, while many subsidiaries have the euro as their functional currency, thus translation exposure is significant. Aside from SEK and EUR, Cloetta also has exposure to DKK, NOK, GBP and USD.	The objective of Cloetta's foreign exchange management is to minimise the effects of exchange rate fluctuations by utilising incoming currency for payments in the same currency. If the Swedish krona had weakened/strengthened by 10 per cent against the euro, the year's profit before tax would have been around SEK 40m (15) higher/lower. The Group hedges parts of its translation exposure through borrowing in EUR.
Refinancing risks	Refinancing risk refers to the risk that it will not be possible to obtain financing or that financing can only be obtained at a significantly higher cost.	In 2021, Cloetta met its financial target related to a net debt/EBITDA ratio of around 2.5x. Through the term and revolving facilities agreement with the club of banks and the commercial paper programme, Cloetta has a favourable situation for accessing financing, for example for potential acquisitions. In 2021, Cloetta entered into a new multicurrency term and revolving facilities agreement with the existing banks for up to four year with extension options for an additional two years.
Interest rate risks	Cloetta is exposed to interest rate risks in interest-bearing current and non-current liabilities. Although some of the Group's bank loans are hedged via interest rate swaps, there is still exposure to interest rate risk for the parts that are not hedged or when hedges expire.	The Group continuously analyses its exposure to interest rate risk and performs regular simulations of interest rate movements. Interest rate risk is reduced by hedging a share of future interest payments through interest rate swaps. In 2021, if the interest rate had been 1 percentage point higher with all other variables held constant, profit before tax for the year would have been approximately SEK 1m (6) lower. If the interest rate had been 1 percentage point lower with all other variables held constant, profit before tax for the year would have been approximately SEK 1m (2) 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. 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 also because distribution takes place primarily through the major grocery retail chains. 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-2).
Valuation risks	The Group has a number of assets and liabilities that have been valued with the input from or the help of various experts. These include goodwill and trademarks on the asset side and the pension liability and tax liabilities on the liability side.	Assets and liabilities are tested for impairment annually or when there is an indication that such testing may be necessary. Read more in Note 12, Intangible assets on pages 93–94 and Note 30, Critical accounting estimates and judgements on page 112.

Letter from the Chairman

As Chairman of the Board, I am particularly proud of how Cloetta in 2021 succeeded in combining a short-term focus on countering the effects of the ongoing pandemic with social responsibility and a strong dedication towards sustainable profitable growth. I am also very pleased that the healthy cash flow and strong balance sheet support a dividend proposal in line with the pre-pandemic level.

Corporate governance creates systematic order

The Board's foremost responsibility to Cloetta's shareholders is to ensure that the company is managed as effectively as possible, and also that Cloetta complies with the laws and regulations required by legislators, regulatory authorities and the stock exchange. Corporate governance is aimed at creating order and systems for both the Board and the Group Management Team. Our Corporate Governance, based on such international norms as the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption, provides guidance for us in this work. This is also reflected in our policies, guidelines and how we build relationships with our stakeholders.

By having a clear structure, with well-defined rules and processes, we can also ensure that management and employees focus on developing the business and strengthening the company. The Corporate Governance Statement on pages 58–73 contains more information about Cloetta's governance and management structure, the interplay between the company's formal governance bodies, internal steering documents and processes, and relevant control functions and reporting. All of these together ensure that we have robust, global corporate governance and a strong company culture.

The work of the Board

During yet another year of global turbulence, the Board has worked closely with the CEO and the Group Management Team to follow up and develop the areas that are aimed at improving growth and profitability. We also reached an important milestone when we adopted a new ambitious sustainability agenda for the company.

Several Board sessions during the year were focused on the position of our brands in the minds of customers and consumers. This work resulted in increased marketing investments as well as a further focus on



“As we look ahead, we do so from a position of strength after having tackled various challenges over the past two years.”

e-commerce and innovation. The fact that the Branded packaged product segment recorded four consecutive quarters of growth, with sales in 2021 exceeding pre-pandemic levels, underlines the importance of these investments.

Over the past year, the Board has, together with the Group Management Team, focused on measures to ensure that the Pick & mix business take steps towards an adequate level of profitability. I am therefore pleased to note that the Swedish Pick & mix business returned to break-even in the fourth quarter of 2021 and that the total

Pick & mix business was close to break-even on a full-year basis. This meant an improvement of the adjusted operating margin with almost 13 percentage points year on year, which is nothing short of fantastic. More will obviously have to come and plans to that effect are underway.

During the year, Cloetta successfully refinanced the Group through its existing banking group by entering into a new multicurrency term and revolving facilities agreement. Cloetta also resolved to continue its existing commercial paper program. Importantly, the structure secures financing and provides additional flexibility for the coming years.

In 2021, Cloetta once again delivered very strong cash flow, resulting in a net debt/EBITDA of 2.0x as we closed the year, well below our long-term target of 2.5x. Based on the healthy cash flow, and combined with the quality of the improved profitability, the Board proposes that the dividend per share for 2021 be restored to the pre-pandemic level of SEK 1.00 (0.75).

Looking ahead from a position of strength

I would like to take this opportunity to thank my colleagues on the Board of Directors for their good cooperation, constructive contributions and commitment in their work. I would also like to greatly thank our employees and the Group Management Team for their fantastic efforts during this year.

As we look ahead, we do so from a position of strength after having tackled various challenges over the past two years. This reinforces my conviction that Cloetta not only has a rich history but also has a successful future ahead in which we will create value for customers, consumers and shareholders.

Stockholm, March 2022

Mikael Norman
Chairman of the Board

Corporate Governance Report

The purpose of corporate governance is to ensure that the company is managed as effectively as possible in the interests of its shareholders, and that Cloetta complies with all applicable rules. Corporate governance is also aimed at creating order and establishing systems for both the Board and the Group Management Team. Well-defined structures, clear rules and processes allow the Board to ensure that the Group Management Team and employees focus on developing the business and thereby creating shareholder value.

Cloetta AB (publ) is a Swedish public limited company, with corporate identification number 556308-8144. The company's class B shares are traded on the Nasdaq Stockholm, Mid Cap. 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 Nordic Main Market Rulebook for Issuers of Shares, and the Swedish Corporate Governance Code, as well as internal steering instruments such as the Articles of Association, instructions, policies and guidelines. The Swedish Corporate Governance Code is available at www.bolagsstyrning.se, where a description of the Swedish model for corporate governance is also provided. During the year, Cloetta complied with Nasdaq Nordic Main Market Rulebook for Issuers of Shares and good stock market practice.

Application of the Swedish Corporate Governance Code

In 2021, Cloetta complied with the Code, with no deviations.

1 Shareholders

The class B shares of Cloetta AB (publ) have been listed on Nasdaq Stockholm since 16 February 2009 and have been traded on the Mid Cap list since 2 July 2012. Cloetta was originally introduced on the stock exchange in 1994 and has been listed in a number of different owner constellations since then. At 31 December 2021,

the number of shares was 288,619,299 of which 282,884,050 were class B shares and 5,735,249 were class A shares. Each class B share corresponds to one vote and each class A share corresponds to ten votes, although all shares carry equal entitlement to the company's assets and profits. At 31 December 2021 Cloetta held 1,590,629 class B shares in treasury. The number of shareholders at 31 December 2021 was 35,689 (compared to 34,859 at 31 December 2020). On 31 December 2021, AB Malfors Promotor was Cloetta's largest shareholder, with a holding corresponding to 40.1 per cent of the votes and 29.4 per cent of the share capital in the company. For more information about Cloetta's shares and shareholders, see section "Share and shareholders" on pages 39–43.

2 General meeting of shareholders

The general meeting of shareholders is Cloetta's highest decision-making body. At the general meeting, all shareholders have the opportunity to influence the company by exercising the votes attached to their respective shareholdings. The powers and duties of the general meeting are regulated by the Swedish Companies Act and the Articles of Association, amongst others. Cloetta's financial year is 1 January to 31 December. The Annual General Meeting (AGM) must be held within a period of six months after the end of the financial year. The date and location of the AGM must be communicated on the company's website no later than in conjunction with the publication of the third quarter report. Notice of the AGM must 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, confirmation that notification has been given must 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 addressed 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, paragraph 32, of the Swedish Companies Act, at a general meeting of shareholders all shareholders have the right to pose questions to the company about the matters that are addressed at the meeting and the financial situation of the company and the Group.

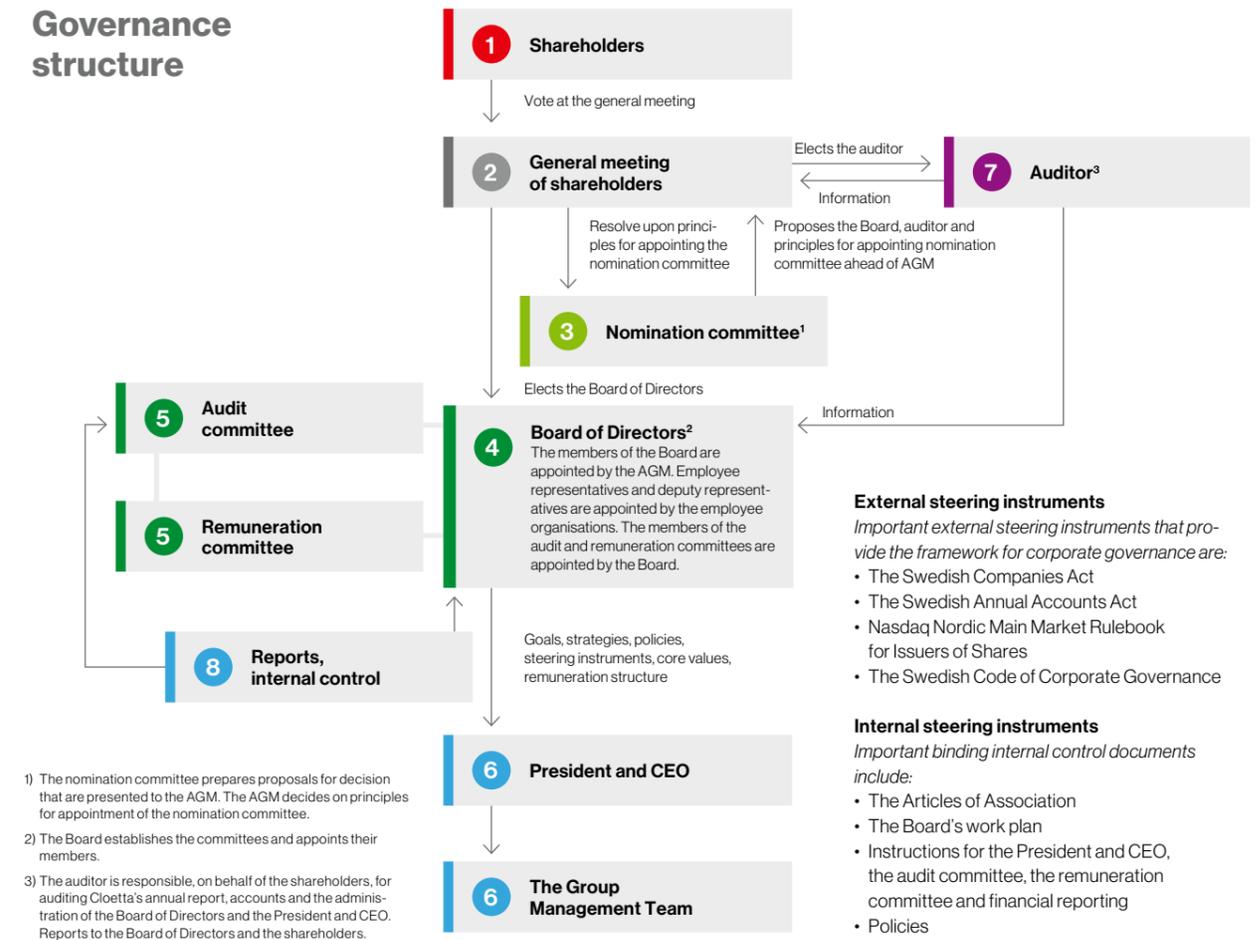
2021 Annual General Meeting

The most recent AGM was held on 6 April 2021 in Stockholm. To prevent the spreading of Covid-19, the meeting was held by a postal voting procedure in accordance with Section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. The AGM was held at Cloetta's headoffice in Solna with only a few participants including The Chairman of the Board, the CEO and the Group's CFO. All other Board members as well as the Lead Audit Partner of the Group's independent auditor attended via conference call due to the prevailing pandemic.

The AGM approved the updated proposals of the Board and the nomination committee regarding:

- Adoption of the balance sheet and the profit and loss account
- Approval of the remuneration report

Governance structure



- 1) The nomination committee prepares proposals for decision that are presented to the AGM. The AGM decides on principles for appointment of the nomination committee.
- 2) The Board establishes the committees and appoints their members.
- 3) The auditor is responsible, on behalf of the shareholders, for auditing Cloetta's annual report, accounts and the administration of the Board of Directors and the President and CEO. Reports to the Board of Directors and the shareholders.

- Appropriation of the earnings of the company through a dividend of SEK 0,75 per share, corresponding to SEK 216,464,474
- Discharge of liability of the board members and the President and CEO
- The number of Board members elected by the AGM to be seven, with no deputies
- Re-election of sitting Board members Mikael Norman, Camilla Svenfelt, Mikael Svenfelt, Lottie Knutson, Mikael Aru, Patrick Bergander and Alan McLean Raleigh. The AGM re-elected Mikael Norman as the Chairman of the Board. Aside from the members elected by the AGM, the employee organisations PTK and LIVS each appointed an employee representative and a deputy representative to the Board
- Setting the Board fees at SEK 685,000 for the Board Chairman and SEK 315,000 for each of the other Board members elected by the AGM. Fees for work on the Board committees shall be paid in the amount of SEK 100,000 for each member of the audit committee, SEK 150,000 for the Chairman of the audit committee, SEK 100,000

- for each member of the remuneration committee and SEK 150,000 for the Chairman of the remuneration committee
- Fees for the auditor are to be paid according to approved account;
- Re-appointing the registered public accounting firm Öhrlings PricewaterhouseCoopers AB ("PwC") as the auditor for the period until the next AGM. Sofia Götmar-Blomstedt will continue as the Lead Audit Partner
- The implementation of a share-based long-term incentive plan.

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

2022 Annual General Meeting

The 2022 AGM will be held on 6 April 2022 as a postal voting procedure. There will be no physical attendance of shareholders, representatives or other persons. The Notice of the Annual General Meeting was published in March and is available on www.cloetta.com. The Notice of the Annual General Meeting

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 Nordic Main Market Rulebook for Issuers of Shares
- 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 and CEO, the audit committee, the remuneration committee and financial reporting
- Policies

was published in March 2021 and contained the Board's proposals. For more information, see section on "Annual General Meeting" on page 148 and www.cloetta.com.

3 Nomination committee

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

for election of Board members, Board fees and auditors are presented in the notification of the AGM and on www.cloetta.com.

Composition of the nomination committee

In accordance with the decision of the AGM, Cloetta's nomination 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 appointed may themselves appoint one additional member.

Independence of the nomination committee

The majority of the nomination committee's members shall be independent in relation to the company and its Group Management Team, 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 Group Management Team 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 nomination committee to propose candidates for election to the Board. Proposals shall be sent to the Chairman of the nomination committee by e-mail to nominationcommittee@cloetta.com.

Meetings of the nomination committee

The nomination committee held 4 meetings ahead of the 2022 AGM. No fees have been paid for work on the nomination committee.

Nomination committee ahead of the 2022 AGM

Members	Appointed by	Independent ¹	Share of votes at 31 Dec 2021, %
Lars Schedin, Chairman	AB Malfors Promotor	Yes/No	40.1
Stefan Johansson	PRI Pensionsgaranti	Yes/Yes	1.8
Jan Särilvik	Nordea Fonder	Yes/Yes	0.9
Mikael Norman	The Board of Cloetta AB	Yes/Yes	0.0

¹ Independent from the company and its Group Management Team/from the company's largest shareholder in terms of voting power.

4 Board of Directors

The 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 CEO and ensure that the company complies with all applicable laws, the Articles of Association and the Swedish Corporate Governance Code. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance responsibility 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 and CEO.

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 that are elected annually at the AGM for a period until the next AGM has been held. On 6 April 2021, the AGM resolved

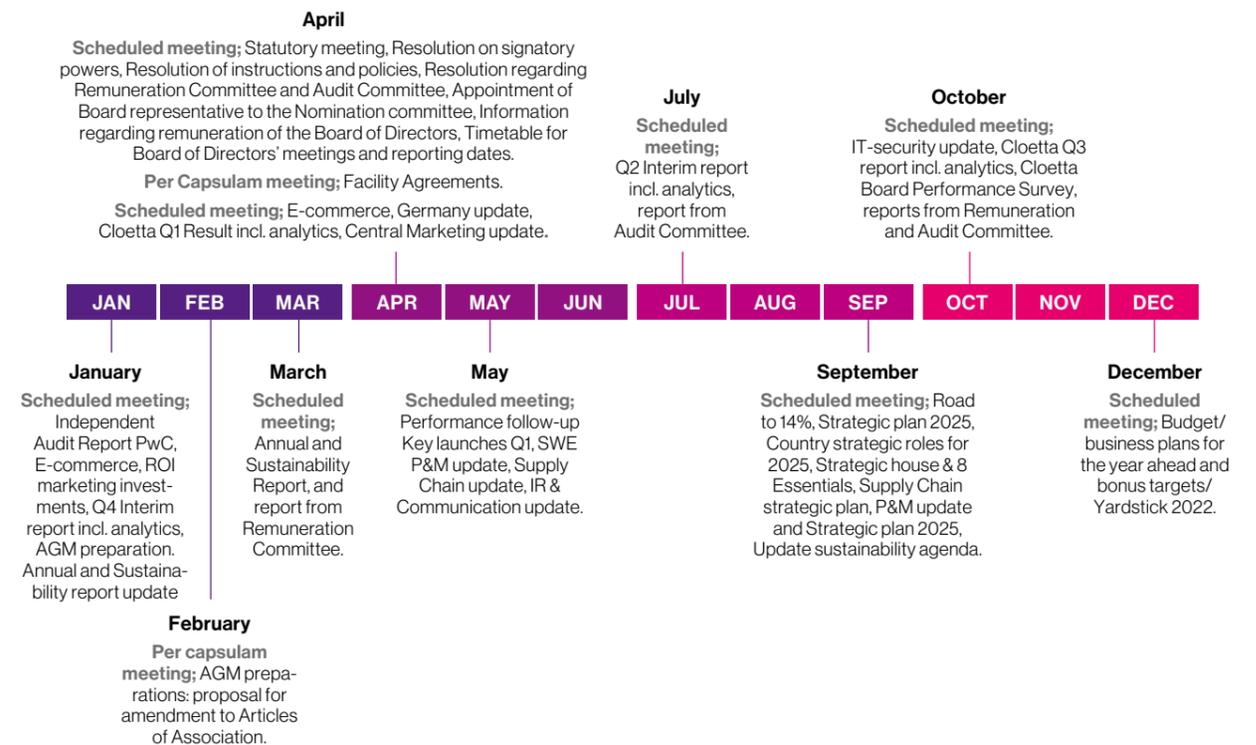
that the Board shall have seven members appointed by the AGM. On 6 April 2021, the AGM elected the following Board members to serve for the period until the end of the next AGM, to be held on 6 April 2022: Mikael Norman (Chairman), Lottie Knutson, Patrick Bergander, Mikael Aru, Mikael Svenfelt, Camilla Svenfelt and Alan McLean Raleigh. In addition, the employee organisation LIVS appointed one employee representative to the Board, Lena Grönedal, and one deputy representative, Shahram Nikpour Badr. The employee organisation PTK appointed one employee representative to the Board, Mikael Ström, and one deputy representative, Christina Lönnborn. All Board members have attended Nasdaq's stock market training course for boards and management. The average age of the Board members elected by the AGM was 56 years at year-end and two of the seven are women. For information about the Board members' assignments outside the Group and holdings of shares in Cloetta, see pages 70–71 and cloetta.com.

Diversity policy

Through the nomination committee, Cloetta applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy to propose election of directors to the Board. According to this rule, the board composition must be set with regard to appropriateness to the company's operations and phase of development, and must collectively exhibit diversity and breadth of competence, experience and background among the directors elected by the Annual General Meeting. An equal balance between the genders should be aimed for. The objective of the diversity policy is to underline the importance of appropriate diversity within the Board with regard to gender, age, nationality and experience, professional background and business expertise. The Nomination Committee endeavours to achieve diversity and gender balance on the Board. This is evaluated each year along with a continuous process to identify future board candidates with relevant backgrounds and experience. The proposed composition of the board

Board meetings in 2021

Cloetta meets regularly with investors and analysts. At least twice a year Cloetta arranges virtual or physical roadshows to Europe and the US. In addition, Cloetta regularly attends major investor club meetings, lunches and evening meetings organised by banks and the Swedish Shareholders Association (Aktiespararna).



more than satisfies the requirements for expertise and experience, in view of the company's operations and future development. The proposed composition also met the applicable requirements including board independence, sufficient experience with listed companies and expertise in accounting and auditing.

Independence of the Board

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

instructions for financial reporting. Among other things, these regulate the segregation of duties between the Board of Directors, the Chairman of the Board, the President and CEO and the auditor, quorum, conflict of interest, the work of the committees, internal and external reporting, routines for notification of general meetings, Board meetings and minutes. In addition, the Board has issued and adopted a Code of Conduct and policies for Communications, Finance, HR, Inside information, Insurance, Internal Control, IT security, Mergers and Acquisitions, Fraud and Whistle-blowing, Trade Sanctions, Anti-bribery and anti-corruption.

Evaluation of Board performance

The performance of the Board is evaluated annually in order to continuously improve the Board's working methods and efficiency. The Chairman of the Board is responsible for carrying out the evaluation and presenting the results to the nomination committee. The intention of the evaluation is to gather the Board members' views on the Board's performance, measures that 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 nomination committee ahead of the AGM.

In October 2021, Cloetta had a digital Board Performance Survey using the company Board portal. The results of the survey have been reported to and discussed by both the Board and the nomination committee.

Board meetings

In 2021, the Board held 9 scheduled meetings, including two per capsulam meeting. The President and CEO and the CFO, who also acts as the Board Secretary, take part in the Board's meetings. Other members of the Group Management Team participate as needed to report on special items of business.

Governance and organisation for sustainability work

The overall strategies for Cloetta's sustainability work have been adopted by the Group Management Team and are controlled and monitored through business planning processes at several levels of the company. The ultimate responsibility for sustainability matters lies with Cloetta's President and CEO.

Organisational chart



Cloetta's sustainability work is overseen by the Global Marketing Director for Sustainability and the Sustainability Manager. The sustainability manager is the spokesperson for environmental and social issues and is responsible for identifying prioritised areas, acting as the stakeholders' link to the management team and supporting the implementation of Cloetta's sustainability agenda.

The Group Head of Health & Safety, Environment (HSE) leads the work on health, safety, and environment. All factories have dedicated HSE managers and in the rest of the organisation, managers are responsible.

5 Board committees

Audit committee

In 2021, the Board audit committee consisted of members Patrick Bergander (chairman), Camilla Svenfelt and Mikael Aru. The majority of the committee's members shall be independent in relation to the company and its Group Management Team, 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 are independent in relation to the company and its Group Management Team, and two are independent in relation to the company's major shareholders. The work of the audit committee is regulated by 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 meet

regularly with the company's auditors to remain 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. At least once a year, the committee shall meet without the presence of any member of the Group Management Team. All audit committee meetings must be documented. The audit committee shall inform the Board about the matters dealt with by the committee. The committee held four meetings in the period between the AGM in 2021 and the publication of this Annual and Sustainability Report.

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 the chairman of the committee. The Board's remuneration committee consists of members Mikael Svenfelt (chairman), Alan McLean Raleigh and Mikael Norman. The majority of the committee's members shall be independent in relation to the company and its Group Management Team. Of the remuneration committee's members, all three are independent in relation to the company and its Group Management Team. The work of the remuneration committee is regulated by special instructions that have been 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 decisions on remuneration principles, remuneration and other terms of employment for the Group Management Team, to monitor and evaluate programmes for variable remuneration completed during the year and ongoing programmes for the Group Management Team as adopted

by the AGM and to monitor the current remuneration structures and levels in the Group. The remuneration committee shall meet at least twice every financial year. The committee has since the AGM in 2021 until the publication of this Annual and Sustainability Report held four meetings.

Chairman of the Board

The Chairman of the Board is elected by the Annual General Meeting and on 6 April 2021 the AGM re-elected Mikael Norman as the Chairman of the Board. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties, and has special responsibility for ensuring that the work of the Board is well organised and effectively executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly, and that the nomination committee is informed about the results of this evaluation.

6 President and Group Management Team

The President and CEO is appointed by the Board. He/she supervises operations according to the instructions adopted by the Board, and is responsible for the day-to-day management of the company and the Group, in accordance with the Swedish Companies Act. In addition, the President and CEO, together with the Chairman, decides which matters are to be dealt with at Board meetings. The Board regularly evaluates the President and CEO's duties and performance. The President and CEO is responsible for ensuring that the Board members are supplied with the necessary information to make decisions and presents reports and proposals at Board meetings regarding

issues dealt with by the Group Management Team. The President and CEO regularly informs the Board and Chairman about the financial position and development of the company and the Group.

Henri de Sauvage-Nolting has been President and CEO of Cloetta since 15 February 2017. In addition to the President and CEO, on 31 December 2021 the Group Management Team consisted of the five regional presidents (one also being the Chief Pick & Mix Officer), the President of Operations, the CFO, the CMO and the Senior Vice President Human Resources. For information about the President and CEO and other members of the Group Management Team, see pages 72–73. The Group Management Team holds regular management meetings and held 12 meetings in 2021. The meetings are focused on the Group's strategic and operational development and financial performance.

7 Auditor

The auditor is elected by the AGM to examine the company's annual accounts and accounting records and the administration of the Board of Directors and the President and CEO. The auditor's reporting to the shareholders takes place at the AGM through the presentation of the auditor's report. At the AGM on 6 April 2021, the registered public accounting firm Öhrlings PricewaterhouseCoopers AB ("PwC") was re-appointed as the auditor for the company for the period until the next AGM. The authorised public accountant Sofia Götmar-Blomstedt was elected to continue as the Lead Audit Partner.

8 Financial reporting

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be controlled satisfactorily and that external financial information, such as interim reports and annual reports to the market, are prepared in accordance with the legal requirements, applicable 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 financial reporting and internal control and regularly monitor and evaluate operations. The task of the audit committee is to support the Board in assuring the quality of the company's financial reporting. The audit committee also oversees the financial reports and significant accounting

matters, as well as matters related to internal control, compliance, material uncertainty in reported values, events after the balance sheet date, changes in estimates and judgements and other circumstances affecting the quality of the financial reports.

The President and CEO ensures that the 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 and CEO 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 each financial year, a profit statement, balance sheet and investment budget are prepared and are adopted at the scheduled Board meeting in December. External financial information is regularly provided in the form of:

- Interim reports;
- The Annual and Sustainability Report;
- Press releases about important news that is deemed 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

Additional information

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

Press releases 2021

January

- Invitation to webcasted telephone conference of Cloetta AB's year-end report 2020
- Cloetta AB's Q4 interim report October – December 2020

February

- The nomination committee's proposal regarding Board of Directors of Cloetta AB

March

- Notice of the Annual General Meeting of Cloetta AB (publ)
- Cloetta's 2020 Annual and Sustainability Report published on the website

April

- Annual General Meeting of Cloetta AB (publ) on 6 April 2021
- Invitation to conference call with web presentation of Cloetta AB's interim report Q1 2021
- Cloetta AB interim report Q1: January – March 2021
- Cloetta refinances the Group through its existing banks for up to four years

May

- Cloetta launches candy containing 50% fruit
- Cloetta launches a new sustainability agenda and commits to the Science Based Targets initiative

July

- Invitation to conference call with web presentation of Cloetta AB's interim report Q2 2021
- Cloetta AB (publ) to repurchase own B-shares as part of long-term incentive programme
- Cloetta AB interim report Q2: April – June 2021

September

- Nomination committee appointed ahead of 2022 Annual General Meeting of Cloetta AB (publ)

October

- Invitation to conference call with web presentation of Cloetta AB's interim report Q3 2021
- Cloetta AB interim report Q3: July – September 2021

Remuneration of the Group Management Team

Guidelines for remuneration of Group Management Team

The current guidelines for remuneration of the Group Management Team were adopted by the AGM on 6 April 2021. 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 of the President and CEO, other members of the Group Management Team and other executives reporting directly to the President and CEO can include: short-term variable compensation, share-based long-term variable compensation, pension benefits, termination benefits and other benefits.

Short-term variable compensation

Short-term variable compensation is linked to specific business targets and is derived from the annual business plan approved by the Board of Directors. The short-term variable compensation is delivered through a cash-based bonus programme. Short-term variable compensation is based on personal targets linked to Cloetta's Strategy and two operating targets:

- Net sales growth
- Operating profit

Share-based long-term variable compensation

Share-based long-term variable compensation consists of the share-based long-term incentive plans, which are resolved on yearly by the AGM. It is aimed at increasing 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 group management team and other key employees with those of the shareholders to ensure maximum long-term value creation. The targets for share-based long-term variable compensation are the compound annual growth rate and adjusted operating profit margin.

Pension 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. Variable salary and benefits are not pension qualifying unless provided by law or collective agreement. 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 one fixed annual salary. Due to employment contracts entered into by Leaf prior to Cloetta's acquisition of the company, there are contracts with members of the Group Management Team granting termination benefits exceeding 12 monthly base salaries.

Other benefits

Other benefits consists mainly of sign-on fees, severance pay and company car benefits.

President and CEO

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 of retirement in an amount corresponding to 30 per cent of pension-qualifying salary, consisting of base salary. Variable compensation and other benefits are not pension-qualifying.

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

Remuneration in 2021

In 2021, the total remuneration of the Group Management Team including the President and CEO amounted to SEK 50,386 thousand (39,724) including pension benefits, and SEK 43,458 thousand (32,915) excluding pension benefits.

Share-based long-term incentive plan for senior executives

On 6 April 2021, the Annual General Meeting approved the Board's proposal for a share-based long-term incentive plan. The plan aligns 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.

A personal shareholding in Cloetta is required for all participants. See page 43 and Notes 23 and 28 for more information about share-based payment.

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

The Board of Directors has established 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 base salary and variable compensation 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 of 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

Remuneration – the Group Management Team

Costs incurred in 2021 SEK Thousand	Base salary	Short-term variable compensation incurred in the year, expected to be paid out in the next year	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	5,200	5,075	-1,048	94	9,321	1,560	10,881
Other Group Management Team ¹	22,499	14,648	-4,202	1,192	34,137	5,368	39,505
Total	27,699	19,723	-5,250	1,286	43,458	6,928	50,386
<i>of which, Parent Company</i>	<i>12,549</i>	<i>10,502</i>	<i>-1,938</i>	<i>397</i>	<i>21,510</i>	<i>3,743</i>	<i>25,253</i>

Amount paid in 2021	Base salary	Short-term variable compensation	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	5,200	5	388	94	5,687	1,560	7,247
Other Group Management Team ¹	22,499	52	1,259	1,192	25,002	5,368	30,370
Total	27,699	57	1,647	1,286	30,689	6,928	37,617
<i>of which, Parent Company</i>	<i>12,549</i>	<i>21</i>	<i>560</i>	<i>397</i>	<i>13,527</i>	<i>3,743</i>	<i>17,270</i>

Costs incurred in 2020 SEK Thousand	Base salary	Short-term variable compensation incurred in the year, expected to be paid out in the next year	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	5,000	5	529	92	5,626	1,500	7,126
Other Group Management Team ¹	23,863	53	2,052	1,321	27,289	5,309	32,598
Total	28,863	58	2,581	1,413	32,915	6,809	39,724
<i>of which, Parent Company</i>	<i>11,878</i>	<i>21</i>	<i>1,272</i>	<i>353</i>	<i>13,524</i>	<i>3,478</i>	<i>17,002</i>

Amount paid in 2020	Base salary	Short-term variable compensation	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	5,000	3,649	257	92	8,998	1,500	10,498
Other Group Management Team ¹	23,863	10,678	381	1,321	36,243	5,309	41,552
Total	28,863	14,327	638	1,413	45,241	6,809	52,050
<i>of which, Parent Company</i>	<i>11,878</i>	<i>7,156</i>	<i>257</i>	<i>353</i>	<i>19,644</i>	<i>3,478</i>	<i>23,122</i>

¹⁾ Other Group Management Team comprised 10 persons for the period 1 January 2020 up to 31 March 2021. As from 1 April 2021, other Group Management Team consisted of 9 persons.

	Short-term variable compensation as a percentage of base salary	
	Target level	Maximum level
President and CEO	50 %	100 %
Other Group Management Team, average	36 %	72 %

of Corporate Governance, the Board hereby presents the following report on the results of the remuneration committee's evaluation:

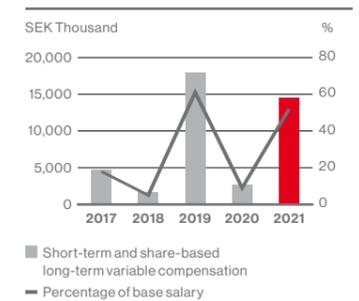
The variable compensation that is payable according to the guidelines is linked to both the individual's responsibility for results and the Group's profitability targets, which contributes to value growth for the company's shareholders.

Market surveys are conducted regularly with respect to salary statistics, remuneration structures and levels for variable remuneration. In the opinion of the remuneration committee, Cloetta's remuneration structures and remuneration levels have allowed Cloetta to recruit and retain the right personnel to the Group Management Team.

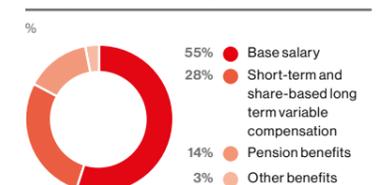
Remuneration of the President and CEO for the financial year 2021 has been determined by the Board. Remuneration of other members of the Group Management Team and of other senior executives has been determined by the President and CEO. Since the 2021 AGM, the remuneration committee has met on four occasions. The guidelines for remuneration to the Group Management Team were adopted at the AGM on 6 April 2021 and apply until the AGM in 2025.

For more information about remuneration of the President and CEO, see the company's Remuneration Report published on the website.

Total variable remuneration of the Group Management Team incl. the President and CEO



Remuneration of the Group Management Team incl. the President and CEO



Internal control over financial reporting

Cloetta's internal control over financial reporting is based on the framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO framework). The key objectives of Cloetta's internal control environment for financial reporting are that it is appropriately structured and effective, provides reliable reports and complies with any applicable laws and regulations.

The Board of Directors has defined policies regarding processes, roles and responsibilities that are vital for financial reporting and the internal control environment of the company.

Roles and responsibilities

The Board of Directors is responsible for establishing fundamental rules and guidelines for internal control. The audit committee assists the Board of Directors with its oversight of the performance of the company's risk management function and internal control insofar as these affect the company's quality and integrity of financial reporting. The Board of Directors and the audit committee interact directly with the external auditors.

Where the Board of Directors is responsible for establishing fundamental rules and guidelines, the President and CEO is responsible for the design effectiveness, implementation and supervision of monitoring of the internal control environment within the Group. The CFO is responsible for the design and operating effectiveness of the internal control environment within the Group. At a local level, the design and operating effectiveness of the internal control environment is the responsibility of each of the area Presidents and local and regional finance teams.

Control environment

The foundation for Cloetta's internal control environment is the company's corporate culture and behaviour, amongst others, which are reflected in:

- Performing our business with integrity and ethical values. Cloetta's Code of Conduct, fraud and whistleblower policy, anti-bribery and anti-corruption policy and trade control policy form the platform for a set of guidelines and principles built on Cloetta's core values that govern financial reporting;
- The management's conduct and working methods based on a clearly defined working process described in documents such as:
 - Rules of procedure for the Board of Directors
 - Instructions for the President and CEO
 - Instructions for financial reporting
 - Finance policy
 - Rules of procedure for and instructions to the audit committee;
- Rules for representations, commitments and disbursements to third parties clearly defined in the Group's authorisation framework;
- Processes for leading and developing employees in the organisation and the attention dedicated to these matters by Cloetta's Board of Directors.

Financial reporting competencies

The Group Management Team and local management teams 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 help ensure 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

Central and local risk assessments are prepared and monitored periodically. In these assessments the likelihood that risks could occur and the potential impact they may have are assessed. Furthermore, the velocity at which a risk could occur is considered. Business risks as well as financial reporting and other risks are considered in the risk assessments.

Central and local financial reporting risks are assessed with respect to account balance assertions such as existence, completeness, rights and obligations, valuation and allocation, presentation and disclosure assertions and financial impact. The internal control environment is designed to mitigate risks identified to a level considered acceptable by management.

Certain specific risks, for example risks related to taxes and legal matters and other financial risks, are reviewed proactively on a periodic basis. Risks and risk management are reported on separately in more detail in the Annual and Sustainability Report, on pages 52–56. Tax, legal and other financial risks are reflected based on management's best estimate and judgement, and in accordance with the applicable accounting standards in the consolidated financial statements.

Fraud risk

Cloetta's Group Management Team, local management teams and the central finance team are responsible for addressing the risk of fraud and for carrying out a continuous assessment of the risk for fraud with respect to the prevailing attitudes, incentives and opportunities to commit fraud. The Board of Directors has issued a fraud and whistleblower policy aimed at preventing dishonest and/or fraudulent activity and to establish procedures for reporting fraudulent activities to Cloetta's management and/or audit committee.

In addition to the fraud and whistleblower policy, Cloetta has adopted an anti-bribery and anti-corruption policy. The purpose of the policy is to prevent bribery and corruption by any employee or third party acting on behalf of Cloetta. The trade control policy summarises potentially applicable sanctions and export control rules, and compliance procedures to be followed by all Cloetta employees. The purpose of this policy is to provide guidelines to ensure compliance with all local trade control laws and regulations including countries through which shipments or financial transactions flow.

Control activities

Control activities are the policies and procedures that help ensure that management's directives are carried out and that the necessary actions are taken to address risks that may hinder the achievement of the company's objectives. Control activities occur throughout the organisation, at all levels and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Control activities are embedded in Cloetta's business processes and play a key role in ensuring effective internal control in the company. Local management is responsible for having all required control activities in place and maintained within their organisations. The CFO is responsible for ensuring that control activities are designed and operating effectively and are maintained centrally. The control environment is based on a balanced mix of preventive and detective controls and of automated and manual controls. In addition to a standard set of automated controls embedded in Cloetta's central ERP system, local management teams are encouraged to have as many automated controls as possible, especially for routine transactions. Nevertheless, there are also manual control activities in place to ver-

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

Processing and consolidation

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

Reporting

Reporting of operational and financial information to the Board of Directors and the Group Management team.

Quarterly

Audit committee

The auditor attends every quarterly meeting. Possible actions are carried out in respect of the audit report.

External reporting

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

ify that the automated controls function as intended and for non-routine transactions.

Continuous reviews are performed by the Group Management Team and local management teams to safeguard proper and accurate financial reporting. These reviews are incorporated into the business processes and are an important part of Cloetta's monitoring controls. The local management teams are responsible for ensuring compliance with relevant laws and regulations in their respective areas of responsibility. All identified financial reporting risks are covered by one or more control activities.

Monitoring and improvement

Cloetta continuously strengthens its internal control environment by evaluating the design and operating effectiveness of the environment. During the year, procedures are performed to verify the design and operating effectiveness in specific areas. These procedures are performed on a central and a local level and are intended to address any weaknesses or inefficiencies in the internal control environment. Internal control deficiencies detected through the ongoing monitoring activities or separate evaluations are reported upstream and corrective actions are taken to ensure continuous improvement of the internal control environment. On a quarterly basis the follow up and status of any weaknesses identified by internal procedures

or external audits are reported and discussed with the persons involved and members of Cloetta's Group Management Team.

Reporting routines

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

Local management teams report their financial results periodically and in accordance with the Group's accounting and reporting policies. This reporting is the basis for Cloetta's internal and external reporting and serves as a basis for legal and business reviews. The business 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 actions by the management and controllers at different levels. Other important and group-wide components of internal control and reporting routines include 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 of Directors, the audit committee, the President and CEO, the Group Management Team, the central

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.

Rights and obligations, assets are the rights of the organisation and the liabilities are its obligations as of a given date.

Valuation and allocation, all items in the financial reporting are reported in compliance with IFRS valuation principles and are correctly calculated and summarised and appropriately recorded.

Presentation and disclosure, items in the financial reports are properly described, sorted and classified.

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 includes follow-up of observations that are reported by Cloetta's auditor.

The company's financial situation is discussed at each Board of Directors 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 and formally approve interim reports and the Annual and Sustainability Report prior to publication. In addition, the audit committee receives regular reports from the independent auditor.

Communication

Internal communication

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

External communication

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

External communication is carried out in accordance with legal requirements and the Corporate 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 of Directors has reviewed this matter and determined that the existing structures for monitoring and evaluation provide a satisfactory basis for control. For certain special internal audit activities, external resources are used.



Board of Directors



Mikael Norman

Position: Chairman of the Board
Member of the Remuneration Committee

Elected: 2020
Year of birth: 1958
Nationality: Swedish
Education: Bachelor of Laws, Stockholm University, Sweden.
Other assignments:
Previous assignments: Chairman of the board of Bonava AB, CFO of Nobia AB, Group Financial Controller and several other roles at Electrolux AB, Tax lawyer at PricewaterhouseCoopers and Judge in the County Administrative Court and Administrative Court of Appeal in Stockholm.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 40,000 class B shares
Related parties: –



Mikael Aru

Position: Member of the Board
Member of the Audit Committee

Elected: 2017
Year of birth: 1953
Nationality: Swedish
Education: B.Sc. Business Administration, Linköping University, Sweden.
Other assignments: Chairman of the board at AB Axel Granlund, Board member of AB Stenströms Skjortfabrik, Bröderna Börjesson's Bil AB, Viva Wine Group AB, Dr Per Håkansson's Foundation and Gorthon Foundation.
Previous assignments: CEO of Procordia Food Sverige, as well as executive positions at Kraft Foods, ORKLA and Nestlé.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 3,855 class B shares
Related parties: –



Patrick Bergander

Position: Member of the Board
Chairman of the Audit Committee

Elected: 2019
Year of birth: 1971
Nationality: Swedish
Education: B.Sc. Business and Economics, Stockholm University.
Other assignments: CFO of Nordic Tyre Group, Board member of SPP Pension & Försäkring AB.
Previous assignments: CFO of Rosti Group, CEO and CFO RSA Scandinavia (Codan/Trygg-Hansa), Several positions at Electrolux, as CFO Asia Pacific and Head of Group Business Control.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 4,180 class B shares
Related parties: –



Lottie Knutson

Position: Member of the Board

Elected: 2015
Year of birth: 1964
Nationality: Swedish
Education: Journalism at Stockholm University, Sweden, Diplôme de Culture Française, L'Université Paris IV, France.
Other assignments: Board member of Stena Line and STS Alpresor, writer and advisor in the areas of leadership, change and crisis management and tourism.
Previous assignments: Board member of Swedavia and Scandic Hotels. Director of Communications at Fritidsresor Group for the Nordic countries, at SAS Group's communications department, journalist at the Swedish newspaper Svenska Dagbladet and communications consultant at JKL and others.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 1,200 class B shares
Related parties: –



Alan McLean Raleigh

Position: Member of the Board
Member of the Remuneration Committee

Elected: 2018
Year of birth: 1959
Nationality: British
Education: B.Sc. (Hons) Production Engineering and Production Management, University of Strathclyde, Scotland.
Other assignments: Trustee on the Board of the Chartered Institute of Procurement and Supply (CIPS), Board Chairman of Robinson plc.
Previous assignments: Executive Vice President, Personal Care Supply Chain, Unilever.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 8,144 Class B shares
Related parties: –



Camilla Svenfelt

Position: Member of the Board
Member of the Audit Committee

Elected: 2016
Year of birth: 1981
Nationality: Swedish
Education: Bachelor of Science in Social Work and courses in business administration, labour market economics and management, Stockholm University.
Other assignments: Board member of AB Malfors Promotor and a deputy board member of the Hjalmar Svenfelt Foundation, Accounting supervisor at AB Malfors Promotor.
Previous assignments: –
Independence:
In relation to major shareholders: No
In relation to the company and management: Yes
Shareholding: Class A shares, Direct: 60
Related parties: 5,729,569
Class B shares, Direct: 486,485
Related parties: 79,270,068



Mikael Svenfelt

Position: Member of the Board
Chairman of the Remuneration Committee

Elected: 2008
Year of birth: 1966
Nationality: Swedish
Education: Marketing and Business Economics, Tibbleskolan and Law studies, Folkuniversitetet.
Other assignments: CEO and Board member of AB Malfors Promotor.
Previous assignments: Senior positions in Nicator Group, Dell Financial Services, GE Capital Equipment Finance AB, and Rollox AB, Board Chairman of Fjärilshuset Haga Trädgård AB, Board member of Fjärilshuset Haga Trädgård Café AB.
Independence:
In relation to major shareholders: No
In relation to the company and management: Yes
Shareholding: Class A shares, Direct: 25
Related parties: 5,729,569
Class B shares, Direct: 47,535
Related parties: 79,199,973

Shareholding stated as at 31 December 2021



Lena Grönedal

Position: Employee board member, LIVS

Elected: 2008
Year of birth: 1962
Nationality: Swedish
Position at Cloetta: Factory Operative, Cloetta Sverige AB
Shareholding: Direct: –
Related parties: –



Mikael Ström

Position: Employee board member, PTK Ledarna

Elected: 2016
Year of birth: 1961
Nationality: Swedish
Position at Cloetta: Head of Department, Cloetta Sverige AB
Shareholding: Direct: 32,243 class B shares.
Related parties: –



Shahram Nikpour Badr

Position: Deputy employee board member, LIVS

Elected: 2013
Year of birth: 1963
Nationality: Swedish
Position at Cloetta: Factory Operative, Cloetta Sverige AB
Shareholding: Direct: –
Related parties: –



Christina Lönnborn

Position: Deputy employee board member, PTK Unionen

Elected: 2016
Year of birth: 1962
Nationality: Swedish
Position at Cloetta: Sales support, Cloetta Sverige AB
Shareholding: Class B shares, Direct: 1,571
Related parties: –

Composition of the Board

Elected by the AGM ¹	Nationality	Year elected	Year of birth	Fees ²		Independence ³	Attendance ⁴		
				Board fees	Committee fees		Board meetings	Audit committee	Remuneration committee
<i>Chairman</i>									
Mikael Norman	Swedish	2020	1958	685,000	100,000	Yes/Yes	11/11		4/4
<i>Members</i>									
Camilla Svenfelt	Swedish	2016	1981	315,000	100,000	Yes/No	11/11		4/4
Mikael Aru	Swedish	2017	1953	315,000	100,000	Yes/Yes	11/11		4/4
Lottie Knutson	Swedish	2015	1964	315,000	-	Yes/Yes	11/11		
Patrick Bergander	Swedish	2019	1971	315,000	150,000	Yes/Yes	11/11		4/4
Alan McLean Raleigh	British	2018	1959	315,000	100,000	Yes/Yes	11/11		4/4
Mikael Svenfelt	Swedish	2008	1966	315,000	150,000	Yes/No	11/11		4/4

1) Education and other assignments are shown on pages 70–71.

2) The fees refer to set amounts during the period from the AGM on 6 April 2021 until the AGM on 6 April 2022. Board fees shall be paid in amount of SEK 685,000 (unchanged) to the Board Chairman and SEK 315,000 (unchanged) to each other board member elected by the AGM. Fees for work on the Board committees will be paid in the amount of SEK 100,000 for each member of the audit committee (unchanged), SEK 150,000 for the Chairman of the audit committee (unchanged), SEK 100,000 for each member of the remuneration committee (unchanged) and SEK 150,000 for the Chairman of the remuneration committee (unchanged). For further details, see Note 7.

3) Independent in relation to the company and its Group Management Team/the largest shareholder.

4) Attendance refers to meetings during the period from the statutory meeting following the AGM on 6 April 2021 until the publication of this Annual and Sustainability Report on 14 March 2022.

Group Management Team



Henri de Sauvage-Nolting

Position: President and CEO since 2017. Employed by Cloetta since 2017.

Year of birth: 1962

Nationality: Dutch

Education: M.Sc., Chemistry, Amsterdam University, the Netherlands, M.Sc., Chemical Engineering, Technical University of Twente, the Netherlands, Post Doc in Business Administration, University of Leuven, Belgium.

Other assignments: Board member of Agra Industrier, Norway.

Previous positions: Executive Vice President of Arla in Sweden, Denmark and Finland. Between 1989 and 2013 held positions in sales, marketing and manufacturing at Unilever in the Nordics, the Netherlands, UK and China. Last position at Unilever was as CEO of the Nordics.

Shareholding: Direct: 123,563 class B shares
Related parties: –



Frans Rydén

Position: Chief Financial Officer (CFO) since 2018. Employed by Cloetta since 2018.

Year of birth: 1972

Nationality: Swedish

Education: B.Sc. Business Administration, Stockholm University, LL.M. Master of Laws, Stockholm University.

Other assignments: –

Previous positions: Various finance positions in Mondelez such as chief financial officer for India and for Indonesia, Finance Director ZBB Asia-Pacific, Regional Manager Financial Planning and Analysis, and Area Manager Internal Controls. Vice President Finance at Arla Foods.

Shareholding: Direct: 94,901 class B shares
Related parties: –



Regina Ekström

Position: Senior Vice President Human Resources since 2015. Employed by LEAF since 2004.

Year of birth: 1963

Nationality: Swedish

Education: B.Sc. Business Administration and Economics, Lund University, Sweden.

Other assignments: –

Previous positions: SVP Human Resources and Communications 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: 49,320 class B shares
Related parties: –



Marcel Mensink

Position: President Operations (COO) since 2017. Employed by Cloetta since 2017.

Year of birth: 1971

Nationality: Dutch

Education: MBA University of Canterbury United Kingdom, B.Sc. Food Technology van Hall Institute, the Netherlands.

Other assignments: –

Previous positions: Supply Director, Mars Supply Petcare Europe. Several leading positions at Mars in various business units, including Petcare, Food and Chocolate, Supply Director Mars Care & Treats Europe, Plant director Mars Food UK, several different operational roles at Mars Chocolate.

Shareholding: Direct: 44,767 class B shares
Related parties: –



Ville Perho

Position: President Finland since 2015. Employed by LEAF since 2004.

Year of birth: 1979

Nationality: Finnish

Education: M.Sc. Turku School of Economics, Finland.

Other assignments: Co-owner and Board member of Varastooura Oy. Co-owner and Board member of PLH Invest Oy.

Previous positions: Sales Director Cloetta Finland 2010–2015, Category Development Manager LEAF 2004–2010, Global Account Manager Lidl at LEAF 2007–2009.

Shareholding: Direct: 43,193 class B shares
Related parties: –



Thomas Biesterfeldt

Position: Chief Marketing Officer (CMO) since 2018. Employed by Cloetta since 2018.

Year of birth: 1980

Nationality: German

Education: MBA (Major Marketing) at Hamburg University of Applied Sciences.

Other assignments: –

Previous positions: Marketing Director at L'Oréal Paris in the Nordics (based in Denmark), previously Marketing and Group product manager at L'Oréal Paris in Germany and Sweden.

Shareholding: Direct: 18,956 class B shares
Related parties: –



Ewald Frenay

Position: President Middle since 2012. Employed by LEAF since 2000.

Year of birth: 1963

Nationality: Dutch

Education: M.Sc. Economics, Erasmus University Rotterdam, the Netherlands.

Other assignments: –

Previous positions: Interim President Cloetta Italy and Export Markets 2016–2017, Various positions at Leaf 2000–2012 including President Middle at Leaf and Chief Marketing Officer, Member of Leaf Executive Committee, 2008–2012, 2005–2007 Vice President Segment Confectionery, 2004–2005, Marketing Director of RBV Leaf the Netherlands 2000–2004. Several marketing and sales positions at Mars Inc. 1989–1999.

Shareholding: Direct: 37,755 class B shares
Related parties: –



Michiel Havermans

Position: Senior Vice President Cloetta International since 2018. Employed by Cloetta since 2018.

Year of birth: 1973

Nationality: Dutch

Education: MSc Economics, Erasmus University, Rotterdam.

Other assignments: –

Previous positions: Regional Director sales and marketing for Europe, Middle East, and Americas at United Dutch Breweries (UDB), Export Director, Country Manager UK and Managing Director Vietnam and the Philippines at Perfetti van Melle.

Shareholding: Direct: 23,280 class B shares
Related parties: –



Katarina Tell

Position: President Cloetta Sweden, since 2018. Employed by Cloetta since 2018.

Year of birth: 1970

Nationality: Swedish

Education: Bachelor Marketing and Administration, Lund University, Masters in Food Nutrition, Umeå University.

Other assignments: Board member of DLF, Dagligvaruleverantörernas Förbund.

Previous positions: General Manager Findus, Sweden. Managing Director Heinz Northern and Eastern Europe, Retail Sales Manager Heinz Sweden, and Business Development Manager Findus.

Shareholding: Direct: 51,214 class B shares
Related parties: –



Niklas Truedsson

Position: President Cloetta Denmark, Norway and Chief Pick & Mix Officer since 2021. Employed by Cloetta since 2019.

Year of birth: 1972

Nationality: Swedish

Education: M.Sc. Business Administration and Economics, Lund University, Sweden.

Other assignments: –

Previous positions: Various managerial roles at Unilever in the Nordics and Asia including Country Manager Sweden, CEO at Risenta, part of the Paulig Group.

Shareholding: Direct: 19,069 class B shares
Related parties: –

Financial reports

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Consolidated financial statements

The effect of the change in accounting for cost of configuration or customisation in a cloud computing arrangement has been included in accordance with IAS 8, and is recorded retrospectively in the opening balance of 1 January 2020 and in the comparative figures of 2020. All financial measures affected by this restatement are identified with an asterisk in the financial statements and accompanying disclosure notes. See Note 31 for further details on the adjustments to previously reported figures.

Consolidated profit and loss account

SEKm	Note	2021	2020
Net sales	2,3	6,046	5,695
Cost of goods sold	4, 5, 6, 8	-3,898	-3,718
Gross profit		2,148	1,977
Selling expenses	4, 5, 6, 8	-938	-951
General and administrative expenses*	4, 5, 6, 8, 11	-645	-584
Operating profit*		565	442
Exchange differences on cash and cash equivalents in foreign currencies	9	33	-10
Other financial income	9	9	3
Other financial expenses	9	-49	-52
Net financial items		-7	-59
Profit before tax*		558	383
Income tax*	10	-86	-118
Profit for the year*		472	265
<i>Profit for the year attributable to:</i>			
Owners of the Parent Company*		472	265
<i>Earnings per share, SEK</i>			
Basic and diluted* ¹	20	1.64	0.92
<i>Number of shares outstanding at end of period¹</i>			
Average number of shares (basic) ¹	20	287,480,924	286,590,993
Average number of shares (diluted) ¹	20	287,518,726	286,805,203

¹) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The table in Note 22 presents the movements in the contracts after 1 January 2020. The contract has been settled in 2021. During 2021 Cloetta purchased 1,590,629 treasury shares to the participants of the long-term share-based incentive plans. See Note 19 for further details.

^{*}) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Consolidated statement of comprehensive income

SEKm	2021	2020
Profit for the year*	472	265
<i>Other comprehensive income</i>		
Remeasurements of defined benefit pension plans	9	-10
Income tax on remeasurement of defined benefit pension plans	-2	2
Items that will never be reclassified to profit or loss for the period	7	-8
<i>Currency translation differences*</i>		
Currency translation differences*	120	-191
Hedge of a net investment in a foreign operation	-24	53
Income tax on hedge of a net investment in a foreign operation	5	-11
Items that are or may be reclassified to profit or loss for the period*	101	-149
Total other comprehensive income*	108	-157
Total comprehensive income, net of tax*	580	108
<i>Total comprehensive income for the period attributable to:</i>		
Owners of the Parent Company*	580	108

^{*}) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Consolidated balance sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets*	12	5,582	5,530
Property, plant and equipment	13	1,576	1,560
Deferred tax asset*	14	42	21
Derivative financial instruments	22	2	-
Other financial assets	15	5	3
Total non-current assets*		7,207	7,114
Current assets			
Inventories	16	843	952
Trade and other receivables	17	787	736
Current income tax assets*	14	19	30
Derivative financial instruments	22	1	-
Cash and cash equivalents	18	692	396
Total current assets*		2,342	2,114
Total assets*		9,549	9,228
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,443	1,443
Other paid-in capital	19	4,124	4,124
Treasury shares	19	-44	-
Foreign currency translation reserve*	19	661	541
Retained earnings including profit for the year*	19	-1,669	-1,955
Equity attributable to owners of the Parent Company*		4,515	4,153
Non-current liabilities			
Long-term borrowings	21	2,162	111
Deferred tax liability*	14	863	836
Derivative financial instruments	22	-	0
Provisions for pensions and other long-term employee benefits	23	505	512
Provisions	24	-	5
Total non-current liabilities*		3,530	1,464
Current liabilities			
Short-term borrowings	21	206	2,368
Derivative financial instruments	22	0	54
Trade and other payables	25	1,267	1,144
Provisions	24	5	24
Current income tax liabilities*	14	26	21
Total current liabilities*		1,504	3,611
Total equity and liabilities*		9,549	9,228

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Consolidated statement of changes in equity

SEKm	Share capital	Other paid-in capital	Treasury shares	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2020	1,443	4,124	-	733	-2,103	4,197
Adjustment opening balance for change in accounting treatment for cloud computing arrangements	-	-	-	-1	-11	-12
Adjusted balance at 1 January 2020	1,443	4,124	-	732	-2,114	4,185
<i>Comprehensive income</i>						
Profit for the year*	-	-	-	-	265	265
Other comprehensive income*	-	-	-	-191	34	-157
Total comprehensive income for 2020*	-	-	-	-191	299	108
Transactions with owners						
Share-based payments	-	-	-	-	3	3
Dividend ¹⁾	-	-	-	-	-144	-144
Dividend on outstanding shares in forward contracts to repurchase own shares	-	-	-	-	1	1
Total transactions with owners	-	-	-	-	-140	-140
Balance at 31 December 2020*	1,443	4,124	-	541	-1,955	4,153
<i>Comprehensive income</i>						
Profit for the year	-	-	-	-	472	472
Other comprehensive income	-	-	-	120	-12	108
Total comprehensive income for 2021	-	-	-	120	460	580
Transactions with owners						
Purchase of treasury shares	-	-	-44	-	-	-44
Forward contracts to repurchase own shares	-	-	-	-	48	48
Share-based payments	-	-	-	-	-7	-7
Dividend ¹⁾	-	-	-	-	-216	-216
Dividend on outstanding shares in forward contracts to repurchase own shares	-	-	-	-	1	1
Total transactions with owners	-	-	-44	-	-174	-218
Balance at 31 December 2021	1,443	4,124	-44	661	-1,669	4,515

1) The dividend paid in 2021 comprised an ordinary dividend of SEK 0.75 per share. The dividend paid in 2020 comprised an ordinary dividend of SEK 0.50 per share.
*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

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

Consolidated cash flow statement

SEKm	Note	2021	2020
Operating profit*		565	442
<i>Adjustments for non-cash items</i>			
Amortisation/depreciation of assets*	4	260	280
Impairment of assets	4	1	13
Provisions for pensions		-4	-3
Other provisions and contingent earn-out considerations		-20	22
Interest received		2	2
Interest paid		-35	-35
Proceeds on derivative financial instruments		-4	-4
Income tax paid		-90	-114
Cash flow from operating activities before changes in working capital*		675	603
Cash flow from changes in working capital			
Change in inventories		123	-90
Change in trade and other receivables		-44	184
Change in trade and other payables		104	-56
Cash flow from operating activities		858	641
Investing activities			
Investments in property, plant and equipment	13	-193	-267
Investments in intangible assets*	12	-1	-8
Disposals of property, plant and equipment	13	3	1
Cash flow from investing activities*		-191	-274
Cash flow from operating and investing activities		667	367
Financing activities			
Proceeds from loans	21	-	310
Proceeds from commercial papers	21	750	798
Transaction costs paid	21	-8	-1
Repayment of loans	21	-	-305
Repayment of commercial papers	21	-849	-1,047
Payment of lease liabilities	21	-69	-72
Dividends paid		-215	-143
Purchase of treasury shares		-44	-
Other cash flow from financing activities		-1	-16
Cash flow from financing activities		-436	-476
Cash flow for the year		231	-109
Cash and cash equivalents at beginning of year	18	396	579
Cash flow for the year		231	-109
Exchange difference		65	-74
Cash and cash equivalents at end of year	18	692	396

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Notes to the consolidated financial statements

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

General information

Cloetta AB (publ), corporate identification number 556308-8144, is a Swedish-registered limited liability company domiciled in Linköping, Sweden. The company's head office is in Stockholm with the address Landsvägen 50A, Box 2052, 174 02 Sundbyberg, Sweden.

Financial year

The consolidated financial statements for the financial year from 1 January to 31 December 2021 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 10 March 2022. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the Annual General Meeting on 6 April 2022 for adoption.

Covid-19

At Cloetta, various measures have been taken to mitigate the short-term and long-term impact of the Covid-19 pandemic. Cloetta is monitoring the situation closely and when needed adapts its actions according to local government advice and regulations, whilst at the same time endeavouring to mitigate any disruptions to its business. Note 26 provides a description of the financial risks and risk management associated with the Covid-19 pandemic.

Disclosures regarding changes in group structure

Incorporations

- On 27 April 2021, Candy Express ApS was incorporated.

Liquidations and dissolutions

- On 8 February 2017, FTF Sweets USA Inc. was dissolved. The three-year unwinding period ended on 8 February 2020.
- On 23 May 2017, Cloetta USA Inc. was dissolved. The three-year unwinding period ended on 23 May 2020.
- On 13 February 2020, Candyking Poland Sp. z o.o. was liquidated.
- On 16 March 2021, Cloetta UK Dormant Ltd. was dissolved.
- On 3 June 2021, Candymix Ireland Ltd. was dissolved.

Note P8 provides an overview of the Cloetta Group and specifies all group companies and changes in the Group structure.

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 supplementary requirements from the Annual Accounts Act. The applied

standards and interpretations are those that were in force and have been endorsed by the EU as at 1 January 2021. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

Guidelines on Alternative Performance Measures

In accordance with the ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs), additional information on the use of APMs, including explanations of use and reconciliation of the APMs to the most directly reconcilable measures in the financial statements, has been included in these financial statements. APMs presented in these financial statements should not be considered a substitute for measures of performance in accordance with IFRS and may not be comparable to similarly titled measures by other companies.

Activities

The activities of the Group mainly comprise:

- Sales, marketing and production of branded candy, chocolate, pastilles, chewing gum and nuts; and
- Trading in candy, chocolate, pastilles, chewing gum and nuts.

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

Basis of presentation

Assets and liabilities are recognised at historical cost, with the exception of 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 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 in future periods, if the change affects both.

Note 30 provides a description of judgements made by management in the application of IFRS that have a significant impact on the financial statements, and estimates that can lead to material adjustments in the financial statements within the next year.

Unless otherwise stated below, the following accounting standards for the Group have been consistently applied in periods presented in the consolidated financial statements.

Segment reporting

In the years after the acquisition of the Candyking Group in 2017, the Pick & mix business became a significant part of Cloetta's total business with its own focus, operational organisation, management responsibilities and reporting flows. Following the changes in the business, also the management structure of the Group evolved with the introduction of a Chief Pick & mix Officer (CPMO) responsible for the development of the Pick & mix business and a Chief Marketing Officer (CMO) being responsible for the marketing of the Branded packaged business. Both officers are members of the executive committee and are accountable within their own business lines and report directly to the President and CEO.

In 2021, Cloetta has reassessed the operating segments with an increased focus on the impact of the changes in the organisation as indicated above. The reassessment has been performed with the intention to come to a sustainable structure taking into account the current organisation, operating model and initiated initiatives related to the direction of the company.

In the assessment it has been considered that both the Branded packaged business and the Pick & mix business have their own specific characteristics. Both business lines generate their own external revenues and incur expenses and for both business lines a different company wide business and investment strategy has been developed and is in place.

The character of the more profitable Branded packaged business requires investments in the brands (A&P) with consumer visibility (traditional and social media) to generate long term strength of our own brands, leading to value creation for the company. Cloetta manufactures nearly all products sold in this business in its own production facilities. The much lower margin Pick & mix business is predominantly a wholesale business where Cloetta sells its own products and its competitors' products to retailers under their own private brand or under the CandyKing concept. The Pick & mix business is driven by volumes and requires investments in the pick & mix concept including investments in the fixtures in which the products are offered to the consumer.

Operating segments have been identified in accordance with the guidance provided in IFRS 8 paragraph 5–10.

The overall focus on revenues, profitability, and strategy specifically for the Branded packaged products business versus the Pick & mix business is reflected as such in Cloetta's external financial reporting and this split is aligned with the interest of Cloetta's investors.

The chief operating decision-maker (CODM), which is the CEO and President of the Group, primarily uses external net sales and operating profit, adjusted for items affecting comparability, to assess the performance of its operating segments. Items affecting comparability, net financial items and income tax are not allocated to segments, as these are managed centrally. No segment information is provided to or assessed by the CODM on assets and liabilities and therefore these are not separately disclosed. Information related to each reportable segment (business segment) is set out in Note 2.

Classification

Non-current assets comprise amounts expected to be recovered or paid after more than twelve months from the balance sheet date, while current assets comprise amounts expected to be recovered or paid within twelve months of the balance sheet date. Non-current liabilities comprise amounts which the Group, at the end of the reporting period, has an unconditional right to choose to pay later than 12 months after the end of the reporting period. If the Group has no such right at the end of the reporting period, or if the liability is expected to be settled within the normal operating cycle, the liability is reported as current liability.

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 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 are wholly owned directly or

indirectly by Cloetta AB (publ) and are consolidated from the date on which control is transferred.

Subsidiaries

The consolidated accounts include financial information for Cloetta AB (publ) and its subsidiaries. Subsidiaries are entities controlled directly or indirectly by Cloetta AB (publ). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries are consolidated from the date on which control is transferred to Cloetta AB (publ).

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. Acquisition-related costs are expensed as incurred. If the business combination is realised 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 the profit and loss account.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Any subsequent change to the fair value of the contingent consideration that is deemed to be a liability is recognised in accordance with IAS 32 in the case of the forward purchase of shares, or IFRS 9 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. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests in the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit and loss account.

Group companies are deconsolidated from the date that control ceases. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit and loss account.

Note P8 provides an overview of all subsidiaries consolidated in the consolidated financial statements of Cloetta AB (publ).

Transactions eliminated on consolidation

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

Foreign currency

Functional and presentation currency

Items included in the financial information of each entity are measured using the functional currency of that entity, which is the currency of the primary economic environment in which the entity operates. The functional currency of foreign entities is generally its 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 the euro (EUR). The assets and liabilities are translated at the closing rate at the date of the financial statements. Income and expenses are translated at the average exchange rate for the year.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or the date of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account within operating profit.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the profit and loss account within exchange differences on cash and cash equivalents in foreign currencies.

The Group applies hedge accounting for foreign exchange gains and losses that relate to borrowings. These foreign exchange gains and losses are presented in the statement of comprehensive income, see Note 1.XVIII for a description of the accounting policies on hedge accounting.

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 related to a foreign operation are initially recognised in other comprehensive income and reclassified from equity to the profit and loss account on disposal of the net investment. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation, recognised in other comprehensive income, is reclassified from equity to the profit and loss account on the same line where the gain or loss of the disposal is accounted for.

Upon consolidation, exchange differences arising from the translation of the borrowings and other currency instruments designated as hedges of such investments and the net investment in foreign operations are recognised in other comprehensive income.

All other foreign exchange gains and losses are presented in the profit and loss account within operating profit.

Financial statements of foreign operations

The profit and loss accounts and balance sheets of all group companies that have a functional currency other than the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each profit and loss account are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is disposed of, unrealised exchange differences accumulated in currency translation adjustments after 1 January 2006 (first-time adoption of IFRS) are recognised in profit or loss as part of the gain or loss on the sale. Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising from 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

With the exception of the changes explained in Note 31 related to the accounting treatment of cloud computing arrangements as described in Note I.XIII, 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** Government support
- V** Selling expenses
- VI** General and administrative expenses

- VII** Employee remuneration
- VIII** Research and development expenses
- IX** Net financial items
- X** Income tax
- XI** Dividend distribution
- XII** Items affecting comparability
- XIII** Intangible assets
- XIV** Property, plant and equipment
- XV** Deferred tax
- XVI** Financial assets
- XVII** Impairment of non-current non-financial assets
- XVIII** Derivative financial instruments and hedging activities
- XIX** Inventories
- XX** Current income tax
- XXI** Cash and cash equivalents
- XXII** Offsetting financial instruments
- XXIII** Equity
- XXIV** Provisions
- XXV** Employee benefits
- XXVI** Borrowings
- XXVII** Borrowing costs
- XXVIII** Trade payables
- XXIX** 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 and services, less discounts and similar, excluding sales taxes and after elimination of intra-group sales. Net sales are recognised as follows:

- Sales of goods are recognised when a group company 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 certain.

For pick & mix sales the following performance obligations have been identified in the contracts with customers:

- Sales of goods;
- Utilisation of fixtures; and
- Merchandising services.

For the performance obligations utilisation of fixtures and merchandising services – which are satisfied over time – Cloetta selected an appropriate method for measuring its progress towards complete satisfaction of those performance obligations. For utilisation of fixtures and merchandising services, a practical expedient is applicable, whereas Cloetta recognises revenue in the amount to which it has a right to invoice. Since delivery of goods and merchandising services normally takes place weekly, this output method best reflects that the measure of progress of the merchandising service as a performance obligation is satisfied at the same time as the goods are delivered.

Consumer incentive and trade promotion activities are recorded as a reduction on the gross sales value based on amounts estimated as being due to customers at the end of a period, based principally on historical utilisation and redemption rates.

These consumer incentive and trade promotion activities consist of:

- fixed and variable discounts, amongst others in the form of fixed listing discounts,
- promotional discounts,
- temporary price discounts (e.g. for seasonal sales) and close out fees, and;
- bonus programmes for example in the form of year-end volume bonuses.

For the estimation of the variable considerations related to the various agreements Cloetta is using the expected-value-method and the most-likely-amount-method. The method used for the calculation of a specific

variable consideration is the method that is expected to best predict the amount of consideration to which Cloetta will be entitled based on the terms of the contract. The chosen method is applied consistently throughout the contract.

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, impairment losses and losses on disposal relating to buildings and machinery and other operating expenses that are attributable to the production of products. Cost of goods sold is recognised in the profit and loss account, simultaneously with the income derived from the related sales transaction.

III Other income

Other income consists of gains on disposal of assets. Gains on disposal of assets are determined by comparing the proceeds from disposal with the carrying amount and are recognised in other income in the profit and loss account upon disposal of the asset.

IV Government support

Government support received for measures supporting liquidity, impacting the company's cash flows and for measures for cost compensation impacting the company's cash flows and/or results are recognised insofar as it is deemed that all conditions for the government support have been, or will be met. Government grants relating to costs are recognised at fair value in the cost of goods sold, selling expenses or general and administrative expenses in the profit and loss over the period when the related costs are incurred, depending on the nature of the costs they are intended to compensate.

V Selling expenses

Selling expenses comprise the cost of brand support through direct and indirect advertising, promotional activities, the cost of supporting sales and marketing efforts and amortisation and impairment losses of related intangible assets. The company promotes its products through advertising and trade promotions. Selling expenses are recognised in the profit and loss account when incurred.

VI General and administrative expenses

General and administrative expenses include the costs of general management, human resources, finance and administration, information technology, and other back office services as well as amortisation of software. General and administrative expenses are recognised in the profit and loss account when incurred.

VII Employee remuneration

Regular payments

Salaries, wages and social security costs are charged to the personnel expenses, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account over the period when the related services are rendered, and in accordance with employment contracts and obligations.

Termination benefits

A provision is recognised on the termination of employees as a result of either an entity's decision to terminate employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. When the criteria for recognition of a provision for termination benefits are met, the expenses are recognised either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account.

Share-based long-term incentive plans

The cost of the share-based long-term incentive plans, which represents the grant date fair value of the shares expected to be vested, multiplied by the shares vested and any social security expenses, is recognised in personnel expenses, which are included either in cost of goods sold, selling

expenses or general and administrative expenses in the profit and loss account. The cost of the share-based long-term incentive plans is recognised pro rata over the vesting period of each plan.

VIII Research and development expenses

Expenses for research are recognised in the cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account as incurred, depending on their nature. Expenses incurred on development projects are recognised as intangible assets when it is probable that a project will generate economic benefits in the future, in view of its commercial and technological feasibility, and the costs can be reliably measured. Otherwise the expenses on development projects are recognised in the cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account as incurred, depending on their nature.

IX Net financial items

Cash and cash equivalents denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Any resulting exchange differences are recognised in net financial items. Gains and losses related to the effective portion of the net investment hedge are recognised in other comprehensive income.

Interest income and interest expenses on third-party borrowings are recognised in the profit and loss account when incurred using the effective interest method.

Unrealised interest on contingent considerations is recognised in other financial expenses at amortised costs. Interest income and expenses on cash and cash equivalents and banking costs are recognised in the profit and loss account when incurred, in other financial income and expenses at amortised cost.

Realised and unrealised gains and losses on single currency interest rate swaps are recognised in other financial income and other financial expenses at fair value.

X Income tax

The income tax expense for the period comprises current and deferred tax and is recognised in the profit and loss account. Corporate income tax is calculated on profit before tax in the profit and loss account, taking into account non-deductible expenses, non-taxable profits and losses, 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 and changes in tax law, such as changes in enacted or substantively enacted tax rates.

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's subsidiaries and associates operate and generate taxable profits.

XI Dividend distribution

Dividends paid to the company's shareholders are recognised in the consolidated financial statements in the period in which the dividends are resolved on by the company's shareholders. Dividend payments are recognised in equity as part of retained earnings.

XII Items affecting comparability

Items affecting comparability 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. Items affecting comparability are recognised in the profit and loss account. Their classification in the profit and loss account depends on the nature of the items affecting comparability.

Principles of valuation of assets and liabilities

General

If not specifically otherwise stated, assets and liabilities are initially recognised at the amounts at which they were acquired or incurred.

XIII Intangible assets

The estimated economic useful lives of intangible assets are specified as follows:

Trademarks	Indefinite
Goodwill	Indefinite
Software	3–5 years
Other intangibles	5 years – indefinite

Trademarks

Acquired trademarks are measured at historical cost. In view of the history of Cloetta's trademark portfolio, combined with Cloetta's commitment to continue supporting these trademarks with advertising and promotion resources and continuous product development, the useful lives of Cloetta's trademarks are considered to be indefinite in nature. Trademarks with indefinite useful lives are not amortised, but are subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets and liabilities assumed by the acquiree, and the fair value of any non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. In addition to the presentation of information following the primary segmentation of branded packaged business versus pick & mix, information is also presented per geography. The internal reporting format by geography provides the most relevant information for the groups of CGUs that benefit the most from acquisitions. As a result, the groups of CGUs used for impairment testing of goodwill do not constitute operating segments as described on page 82. 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 recognised 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 capitalised at historical cost and amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

Capitalised costs for internally generated software include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with, and who devote substantial time to, the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended use. These costs are amortised over their expected useful lives on a straight-line basis, with the useful lives reviewed annually. Other software-related costs that do not meet the above criteria for capitalisation are recognised either in cost of goods sold, selling expenses or the general and administrative expenses in the profit and loss account when incurred. Development expenses previously recognised in the profit and loss account are not recognised as an asset in a subsequent period.

Software under construction is not amortised until the software is substantially complete and ready for its intended use. Software under construction is subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

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

Cost related to the implementation of cloud computing arrangements such as costs of configuration and customising the software to prepare it for its intended use, are only capitalised when the Group has control over the underlying software. Control occurs when the Group has the right to restrict the access of others to the economic benefits connected to the use of the software or if it can obtain the benefits from the software without the software vendor's hosting. In case the Group does not control the software, the cloud computing arrangement is considered a service contract and the cost related to the implementation is recognised in the profit and loss account when incurred or over the period of access to the software.

Other intangible assets

An indefinite right of free electricity is capitalised at acquisition cost. In view of the indefinite nature of the right, the right is not amortised, but is subject to impairment testing at least annually or whenever events or circumstances indicate a risk of impairment.

Other intangible assets, except the right of free electricity, contain acquired customer lists and capitalised registration fees, and are capitalised at historical cost and amortised based on their useful lives, with the useful lives reviewed annually. 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 12.

XIV Property, plant and equipment

Items of property, plant and equipment are valued at historical cost less accumulated depreciation and any accumulated 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 economic useful life.

The estimated economic useful lives of property, plant and equipment are specified as follows:

Land	Indefinite
Buildings	20–50 years
Machinery and equipment	3–55 years
PP&E under construction	n/a
Right-of-use assets	1–33 years

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 immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds from the disposal with the carrying amount and are recognised in the profit and loss account. The classification in the profit and loss account depends on the nature of the gains or losses on the disposal.

Subsequent expenditure is included in the carrying amount of an asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be reliably measured. All other repairs and maintenance costs are charged to the profit and loss account when incurred. The classification in the profit and loss account depends on the nature of the property, plant and equipment.

Subsidies and grants related to investments in property, plant and equipment are deducted from the historical cost or the construction cost of 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 recognised in cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account depending on the nature of the asset.

XV Deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in

equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised for unused tax losses carried forward and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be used.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future, and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax liabilities arise on taxable temporary differences from investments in subsidiaries, with the exception of 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.

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

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 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.

XVI Financial assets

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, for items not measured at fair value through profit and loss (FVTPL). A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset are realised, expire, or the company has relinquished the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On initial recognition, a financial asset is classified as measured at:

- Amortised cost,
- Fair value through other comprehensive income (FVOCI) – debt investment,
- FVOCI – equity investment, or
- FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's recognised financial assets, that are not derivatives, consist mainly of trade receivables and cash and cash equivalents, and to a minor extent of other receivables and accrued income. All these non-derivative financial assets meet the above criteria and are recognised at amortised cost.

Subsequent measurement and gains and losses

– Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 22 for derivatives designated as hedging instruments.

– Financial assets at amortised costs These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provisions for impairment. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses (ECLs). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument and are recognised in net sales in the profit and loss account. Apart from trade and other receivables, the only financial assets to which the impairment principles apply are cash and cash equivalents. These amounts are invested in banks with high credit ratings and ECLs are deemed to be negligible.

XVII Impairment of non-current non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also assesses whether there are indications of impairment of assets that are subject to amortisation or depreciation. If such indications exist, 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 recognised immediately in the profit and loss account. The classification in the profit and loss account depends on the nature of the impaired asset.

Non-financial assets other than goodwill that are subject to an impairment loss are reviewed for possible reversal of the impairment at each reporting date. If it is established that a previously recognised impairment no longer applies or has decreased, the increased carrying amount of the asset in question is not set higher than what the carrying amount would have been if the impairment had not been recognised. See Note 1.XIII for impairment testing on goodwill.

XVIII Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured at their fair value. The method of recognising gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The forward contracts to repurchase own shares, single currency interest rate swaps and forward foreign currency contracts are not designated as hedging instruments.

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 single currency interest rate swaps is recognised in unrealised gains or losses on single currency interest rate swaps in net financial items in the profit and loss account. The fair value adjustment on the forward foreign currency contracts is recognised in the profit and loss account. The classification in the profit and loss account depends on the nature of the hedged item.

The contractual payments on single currency interest rate swaps are recognised in the realised gains or losses on single currency interest rate swaps in the net financial items in the profit and loss account.

The forward contracts to repurchase own shares are settled via shares for cash. Interest on the forward contracts to repurchase own shares is accrued over the contract period and settled in cash on the settlement date.

Net investment hedge

The Group applies hedge accounting. At the inception of the transaction, the Group documents 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.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised in the profit and loss account within exchange differences on cash and cash equivalents in foreign currencies. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the profit and loss account as part of the gain or loss on disposals and recognised in the profit and loss account on the same line where the gain or loss of the disposal is accounted for. The Group has met the requirement for applying net investment hedge accounting.

XIX Inventories

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

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Costs related to 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.

Spare parts that do not meet the definition of property, plant and equipment are recognised as inventories and valued at cost, adjusted for any obsolescence provision.

Net realisable value represents the estimated selling price in the ordinary course of business less directly attributable, applicable variable selling expenses and less costs of completion of inventory.

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

XX Current income tax

The current income tax charge is calculated on the basis of the tax rates (and laws) enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

XXI 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.

XXII Offsetting financial instruments

The Group makes use of cash pooling. Insofar as the following criteria are met, the cash and cash equivalents of participating group companies and the current account overdraft are offset and presented in the balance sheet as a net amount:

- There is a legally enforceable right to offset the recognised amounts; and
- There is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

XXIII Equity

Ordinary shares are classified as share capital. The consideration paid or received related to the purchase, sale and/or issue of new shares are shown in equity, net of tax. The consideration paid for the purchase of own shares includes the transaction costs paid. The incremental transaction costs directly attributable to the equity transaction are recognised as a deduction from equity. The remaining transaction costs (e.g., general administrative costs) are recognised in the profit and loss account when incurred in the general and administrative expenses. The purchased own shares are classified as treasury shares.

XXIV Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, when it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow, with respect to any item included in the same class of obligations, is small.

The initial recognition, subsequent additions and releases to a provision are recognised in the profit and loss account. The classification in the profit and loss account depends on the nature of the provision.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as other financial expenses, third parties 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.

XXV Employee benefits

Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds for all countries in the Eurozone. For the Swedish plans, the discount rate is based on mortgage bonds and for the Norwegian pension plans, the market yield of covered bonds is used. The rates of these bonds are used as equivalent to high-quality corporate bond rates in countries where there is no deep market in such bonds.

Remeasurements arising from defined benefit plans also include the return on plan assets excluding interest and the effect of the asset ceiling,

if any, excluding interest. Remeasurements are recognised in other comprehensive income when incurred. All other expenses related to defined benefit plans are recognised in the profit and loss account when incurred, either in cost of goods sold, selling expenses or general and administrative expenses.

The interest on defined benefit obligations and plan assets is recognised 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 recognised as personnel costs, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available to the Group.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for special compensation. A provision is recognised on the termination of employees as a result of either an entity's decision to terminate employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The expenses related to this provision are recognised in personnel expenses, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account.

Share-based payments

Share-based long-term incentive plans

The incentive plans qualify as equity-settled share-based payments. The expenses for the plans will amount to the grant date fair value per share right times the number of share rights vested, including any accelerated vesting. The expenses are recognised as personnel expenses, which are included either in cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account.

The total expense depends on the number of share rights vested, but any changes in the price of the 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 and is accrued on the balance sheet until vesting of the shares. Social security expenses recognised in the profit and loss account will therefore vary with changes in the share price.

Forward contracts to repurchase own shares

At inception of the forward contract to repurchase own shares, the agreed consideration to be paid at the termination date, net of any tax effects, is recognised as a deduction from equity and as a financial liability. The interest costs directly attributable to the forward contract are recognised in the net financial expenses in the profit and loss account when incurred. At the termination date, the agreed consideration will be paid and the financial liability will be derecognised as its contractual obligation is discharged and cancelled.

XXVI Borrowings

Borrowings are initially recognised at fair value, being the amount received taking into account any premium or discount, and less transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

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, in which case they are classified as non-current liabilities.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expired.

Transaction costs paid on the establishment of credit facilities are recognised to the extent that it is probable that some or all of the facility will be utilised. In such case, the transaction costs are recognised when the utilisation occurs. If it is probable that some or all of the facility will be utilised, the transaction costs are reported as deferred expense and netted against current borrowings and amortised over the contract period the facility relates to, using the effective interest rate method.

XXVII 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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in other financial expenses in the profit and loss account in the period in which they are incurred.

XXVIII 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 later than 12 months after the balance sheet date, the payable is presented as non-current liabilities.

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

XXIX Leases

The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease contract. The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before commencement date less any lease incentives received, any initial direct costs and restoration costs, and is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Contracts may contain both lease and non-lease components. The Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines the incremental borrowing rate using a build-up approach that starts with a risk-free interest rate, adjusted for inflation, country risk premium, security and lease specific adjustments for different asset categories and lease terms. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The only exceptions on the recognition of right-of-use assets and lease liabilities at the commencement date of a lease contract are short-term and low-value leases. Lease payments for short-term and low-value leases are recognised in the cost of goods sold, selling expenses and in the general and administrative expenses, depending on the nature of the lease, on a straight-line basis over the lease term.

Note 2 Business segments

See Note 1, section "Segment reporting" on page 82.

The Cloetta Group comprises two segments: "Branded packaged products" and "Pick & mix". The Pick & mix net sales and adjusted operating profit relate to Cloetta's complete offering in pick & mix including products, displays and accompanying store and logistic services. All other activities within the Cloetta Group are reflected in the "Branded packaged products" segment.

2021 SEKm	Branded packaged products	Pick & mix	Total
Net sales	4,686	1,360	6,046
Operating profit, adjusted	577	-6	571
Items affecting comparability			-6
Operating profit			565
Net financial items			-7
Profit before tax			558
Income tax			-86
Profit for the period			472

2020 SEKm	Branded packaged products	Pick & mix	Total
Net sales	4,527	1,168	5,695
Operating profit, adjusted*	649	-154	495
Items affecting comparability			-53
Operating profit*			442
Net financial items			-59
Profit before tax*			383
Income tax*			-118
Profit for the period*			265

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Note 3 Breakdown of income

See Notes 1 (I) and (III) for the accounting policy.

Disaggregation of revenue from contracts with customers

Cloetta generates revenues from the sales of goods and rendering of services at a point in time and over time in the following major sales categories and performance obligations.

Net sales

SEKm	2021	2020
Branded packaged products	4,686	4,527
Pick & mix	1,360	1,168
Total	6,046	5,695

The breakdown of net sales by category is as follows:

SEKm	Total income		Of which pick & mix	
	2021	2020	2021	2020
Candy	3,663	3,351	1,029	876
Chocolate	1,133	992	289	239
Pastilles	634	686	-	-
Chewing gum	328	371	-	-
Nuts	157	172	42	53
Other	131	123	-	-
Total	6,046	5,695	1,360	1,168

The breakdown of net sales by country is as follows:

%	2021	2020
Sweden	31	31
Finland	21	22
The Netherlands	14	15
Denmark	9	9
The UK	6	5
Norway	7	6
Germany	6	6
International Markets	6	6
Total	100	100

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

Note 4 Amortisation of intangible assets, depreciation of property, plant and equipment and impairments of non-current assets

See Notes 1 (II), (V), (VI), (XIII), (XIV) and (XVII) for the accounting policy.

SEKm	2021	2020
Software*	16	22
Other intangibles	10	10
Land and buildings	21	20
Machinery and equipment	145	155
Right-of-use assets	68	73
Total amortisation/depreciation*	260	280
<i>Amortisation/depreciation has been allocated by function as follows:</i>		
Cost of goods sold	160	173
Selling expenses	11	10
General and administrative expenses*	89	97
Total amortisation/depreciation*	260	280
<i>(Reversal of) Impairment</i>		
Intangible assets	-	-2
Property, plant and equipment	1	15
Total impairment	1	13
<i>Depreciation charge right-of-use assets by asset category:</i>		
Land and buildings	33	34
Transport	29	30
Other equipment	6	9
Total depreciation charge right-of-use asset	68	73

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

The impairment losses on property, plant and equipment and the reversal of impairments on intangible assets have been recognised in cost of goods sold.

Note 5 Expenses by type

See Notes 1 (II), (IV), (V), (VI), (VII) and (VIII) for the accounting policy.

SEKm	2021	2020
Raw materials and consumables used including change in inventory of finished goods and work in progress	2,421	2,224
Personnel expenses (See Note 6)	1,356	1,387
Depreciation, amortisation and impairment charges (See Note 4)*	261	293
Transportation expenses	227	207
Lease expenses	24	25
Advertising, promotion, selling and marketing expenses	415	415
Energy expenses	99	112
Maintenance expenses	114	126
Other operating expenses*	564	464
Total operating expenses*	5,481	5,253

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

The costs recognised relating to research and development amount to SEK 31m (26).

Note 6 Personnel expenses and number of employees

See Note 1 (VII) for the accounting policy.

Personnel expenses are specified as follows:

SEKm	2021	2020
Salaries and remuneration Group Management Team		
– Sweden	26	18
– Other	17	15
<i>Of which, short-term variable compensation</i>		
– Sweden	13	0
– Other	7	0
Pension costs Group Management Team		
– Defined contribution plans	7	7
Total salaries, remuneration and pension costs Group Management Team	50	40
Salaries and remuneration, other employees		
– Sweden	225	284
– Other	717	691
Pension costs, other employees		
– Defined contribution plans	69	63
– Defined benefit plans	11	12
Total salaries, remuneration and pension costs, other employees	1,022	1,050
Personnel expenses, all employees		
Total salaries, remuneration and pension costs	1,072	1,090
Social security expenses	230	231
Other personnel costs	54	66
Total personnel expenses	1,356	1,387

The average number of employees is as follows:

#	2021	2020
– Group Management Team	10	11
– Other employees	2,589	2,642
<i>Of whom, women</i>		
– Group Management Team	2	2
– Other employees	1,382	1,425

The average number of employees by country is as follows:

#	2021	2020
Sweden	650	700
Slovakia	755	749
The Netherlands	522	510
Finland	221	223
The UK	121	127
Belgium	113	114
Denmark	97	103
Ireland	69	73
Norway	31	34
Germany	11	10
Italy	3	4
Other	6	6
Total	2,599	2,653

Of whom, women:

Sweden	355	381
Slovakia	464	473
The Netherlands	173	165
Finland	179	183
The UK	86	89
Belgium	22	24
Denmark	54	57
Ireland	26	28
Norway	14	16
Germany	7	6
Italy	1	2
Other	3	3
Total	1,384	1,427

The specification of the gender distribution is as follows:

%	2021	2020
Percentage of women		
Board of Directors	29	29
Group Management Team	20	18
Other employees	53	54

See pages 64–65 for further details on remuneration of the Group Management Team.

Note 7 Remuneration of the Board

Paid fees 2021 SEK 000s

	Board fees	Committee fees	Total
Board Chairman			
Mikael Norman	685	100	785
Board members			
Mikael Aru	315	100	415
Patrick Bergander	315	150	465
Lottie Knutson	315	-	315
Alan McLean Raleigh	315	100	415
Camilla Svenfelt	315	100	415
Mikael Svenfelt	315	150	465
Total	2,575	700	3,275

Paid fees 2020 SEK 000s

	Board fees	Committee fees	Total
Board Chairman			
Mikael Norman ¹	457	67	524
Lilian Fossum Biner ²	228	33	261
Board members			
Mikael Aru	315	100	415
Patrick Bergander	315	150	465
Lottie Knutson	315	33	348
Alan McLean Raleigh	315	67	382
Camilla Svenfelt	315	100	415
Mikael Svenfelt	315	150	465
Total	2,575	700	3,275

1) Elected as per 2 April 2020.

2) Resigned on 2 April 2020.

Note 8 Items affecting comparability

See Note 1 (XII) for the accounting policy.

SEKm	2021	2020
Acquisitions, integration and restructurings	-6	-53
<i>of which: impairment losses other non-current assets</i>	-	-11
Total	-6	-53
<i>Corresponding line in the consolidated profit and loss account:</i>		
Cost of goods sold	1	-19
Selling expenses	-	-12
General and administrative expenses	-7	-22
Total	-6	-53

See pages 134–135 for alternative performance measures.

Note 9 Net financial items

See Notes 1 (IX) and (XVIII) for the accounting policy.

SEKm	2021	2020
Exchange differences in cash and cash equivalents in foreign currencies	33	-10
Other financial income, third parties	2	2
Other financial income at amortised cost	2	2
Unrealised gains on single currency interest rate swaps	7	1
Other financial income at fair value	7	1
Total other financial income	9	3
Interest expenses, third-party borrowings	-28	-28
Interest expenses, third-party pensions	-5	-7
Amortisation of capitalised transaction costs	-3	-2
Other financial expenses, third parties	-8	-11
Other financial expenses at amortised cost	-44	-48
Realised losses on single currency interest rate swaps	-5	-4
Other financial expenses at fair value	-5	-4
Total other financial expenses	-49	-52
Net financial items	-7	-59

Note 10 Income taxes

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

SEKm	2021	2020
Current income tax*	81	66
Deferred income tax*	5	52
Total*	86	118
The year's income tax expense corresponds to an effective tax rate of, %*	15.4	30.8

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

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

SEKm	2021	2020
Profit before tax*	558	383
Tax calculated at applicable tax rate for the Parent Company*	-115	-82
International rate differences	-1	0
Expenses not deductible for tax purposes	-3	0
Adjustments recognised in the period for tax of prior periods	-2	-8
Effect of (substantively) enacted tax rate changes	1	-31
Tax losses for which no deferred income tax asset was recognised in previous years	37	4
Other	-3	-1
Income tax*	-86	-118
Reported effective tax rate, %*	15.4	30.8
Tax rate of Parent Company, %	20.6	21.4

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

The applicable tax rate for the Parent Company is the enacted Swedish corporate income tax rate.

The reported effective tax rate is based on the relative proportion of the group companies' contribution to profit before tax and the applicable tax rates and regulations in the countries concerned.

Note 11 Audit fees

SEKm	2021	2020
Fee for auditing services	6	6
<i>Fee for other services</i>		
- Tax advice	-	-
- Audit-related advice	0	0
- Other	0	-
Total other services	0	0
Total audit fees	6	6

For both the financial years 2020 and 2021 PwC was elected as auditor of the Group.

Auditing services relate to:

- the audit of the consolidated financial statements,
- the audit of the statutory financial statements of the Parent Company and of its subsidiaries,
- the audit of the Parent Company's administration by the Board of Directors and the President and CEO,
- the procedures for the auditor's statement regarding the guidelines for remuneration to senior executives, pursuant to Chapter 8, Section 54 of the Swedish Companies Act (2005:551), and
- the procedures for the auditor's limited assurance report on Cloetta's sustainability report and opinion on the statutory sustainability report,
- the procedures for the auditor's statement regarding the compliance with European Single Electronic Format (ESEF) regulation.

Note 12 Intangible assets

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

SEKm	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2020					
Acquisition or production costs*	3,198	2,638	300	136	6,272
Accumulated amortisation and impairments*	-58	-238	-261	-45	-602
Book value at 1 January 2020*	3,140	2,400	39	91	5,670
Movements in 2020					
Additions*	-	-	8	-	8
Amortisation*	-	-	-22	-10	-32
Reversal of impairments	-	-	-	2	2
Exchange differences*	-63	-53	-3	1	-118
Total*	-63	-53	-17	-7	-140
31 December 2020					
Acquisition or production costs*	3,135	2,575	294	137	6,141
Accumulated amortisation and impairments*	-58	-228	-272	-53	-611
Book value at 31 December 2020*	3,077	2,347	22	84	5,530
Movements in 2021					
Additions	-	-	0	1	1
Amortisation	-	-	-16	-10	-26
Exchange differences	33	44	0	0	77
Total	33	44	-16	-9	52
31 December 2021					
Acquisition or production costs	3,168	2,624	134	138	6,064
Accumulated amortisation and impairments	-58	-233	-128	-63	-482
Book value at 31 December 2021	3,110	2,391	6	75	5,582

Estimated economic useful life

Indefinite | Indefinite | 3-5 years | 5 years - indefinite

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

The carrying amount of software includes an amount of SEK 0m (2) for software under construction.

The other intangibles consist mainly of capitalised customer lists and benefits related to the right to free electricity.

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 the company's 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 unless otherwise stated. The terminal growth rate 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 the company management's expectations for market development. The weighted average growth rates used are consistent with the forecasts used in the Group. Discount rates have been determined by applying the capital asset pricing model. 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. In 2020, Cloetta assessed that the risk of a negative financial impact in connection to a declining business increased, as a result of the economic circumstances due to Covid-19. During 2021, Cloetta's business saw a recovery compared to 2020 and uncertainty decreased. As a consequence, it is assessed that the valuation risk for goodwill and trademarks decreased compared to last year although is not yet at a pre-pandemic level.

For impairment testing, the following assumptions have been used

%	Terminal growth rate		Pre-tax discount rate including inflation	
	2021	2020	2021	2020
Sweden	1.8	1.7	6.7	7.4
Denmark & Norway	1.8	1.7	6.8	8.8
Finland	1.8	1.7	6.7	9.7
The Netherlands	1.8	1.7	7.0	9.2
The Netherlands & Germany	1.8	1.7	7.0	9.2
International Markets & the UK	1.8	1.7	8.0	10.5
Group	1.8	1.7	6.7	7.4

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 organisations of Sweden, Denmark & Norway, Finland, the Netherlands & Germany and International Markets & the UK. As a result of the division of the Scandinavia group of CGUs into Denmark & Norway and Sweden, and of the Middle group of CGUs into the Netherlands & Germany and International Markets & the UK, the goodwill of prior acquisitions has been reallocated in 2020. The reallocation has taken place using a relative value approach.

The following summary specifies the allocation of goodwill to the different groups of cash-generating units

SEKm	Scandinavia	Sweden	Norway & Denmark	Finland	Middle	International Markets & the UK	The Netherlands & Germany	Total
1 January 2020	985	-	-	1,071	344	-	-	2,400
Reallocation goodwill	-985	504	481	-	-344	50	294	-
Exchange rate differences	-	-	-3	-39	-	-2	-9	-53
31 December 2020	-	504	478	1,032	-	48	285	2,347
Exchange rate differences	-	5	9	22	-	1	7	44
31 December 2021	-	509	487	1,054	-	49	292	2,391

Trademarks

For trademarks, the related CGUs are the commercial organisations of the countries that own the respective trademarks. 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	Other (corporate assets)	Total
1 January 2020	1,545	541	990	64	3,140
Exchange rate differences	-	-21	-39	-3	-63
31 December 2020	1,545	520	951	61	3,077
Exchange rate differences	-	11	24	-2	33
31 December 2021	1,545	531	975	59	3,110

Key assumptions underlying the cash flow projections

EBITDA is the key assumption underlying the cash flow projections for the period covered by recent forecasts and is determined on external market studies on growth of market, historical growth rates, current market developments and outlook for a five year period.

Impairment of goodwill and trademarks

An impairment analysis has been performed in which the carrying amount of a CGU or group of CGUs is compared with the total recoverable amount. No impairments on goodwill or trademarks have been recorded in the financial years 2020 and 2021.

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 in which 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 13 Property, plant and equipment

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

SEKm	Land and buildings	Machinery and equipment	Assets under construction	Right-of-use assets	Total
1 January 2020					
Acquisition or production costs	813	3,751	80	266	4,910
Accumulated depreciation and impairments	-390	-2,898	-	-63	-3,351
Book value at 1 January 2020	423	853	80	203	1,559
Movements in 2020					
Additions	-	2	265	82	349
Disposals	-	-1	-	-3	-4
Early terminations right-of-use assets	-	-	-	-29	-29
Transfers	75	147	-222	-	-
Depreciation	-20	-155	-	-73	-248
Impairments	-1	-10	-	-4	-15
Exchange differences	-17	-24	-5	-6	-52
Total	37	-41	38	-33	1
31 December 2020					
Acquisition or production costs	856	3,784	118	281	5,039
Accumulated depreciation and impairments	-396	-2,972	-	-111	-3,479
Book value at 31 December 2020	460	812	118	170	1,560
Movements in 2021					
Additions	-	-	193	36	229
Disposals	-	-3	-	-	-3
Early terminations right-of-use assets	-	-	-	-2	-2
Transfers	34	174	-208	-	-
Depreciation	-21	-145	-	-68	-234
Impairments	-	-1	-	-	-1
Exchange differences	11	10	1	5	27
Total	24	35	-14	-29	16
31 December 2021					
Acquisition or production costs	897	3,942	104	286	5,229
Accumulated depreciation and impairments	-413	-3,095	-	-145	-3,653
Book value at 31 December 2021	484	847	104	141	1,576
<i>Estimated economic useful life</i>	<i>Buildings: 20–50 years Land: Indefinite</i>	<i>3–55 years</i>	<i>N/A</i>	<i>1–33 years</i>	

At 31 December 2021, the Group had contractual commitments for purchases of machinery and equipment for an amount of SEK 114m (18).

The estimated economic useful lives of machinery and equipment can be further specified as follows:

Right-of-use assets are broken down as follows:

SEKm	31 Dec 2021	31 Dec 2020
Land and buildings	81	95
Transport	50	52
Other equipment	10	23
Total	141	170

	Estimated economic useful life
Production lines	5–35 years
Packaging lines	5–25 years
Production equipment	5–55 years
IT hardware	3–5 years
Fixtures	5 years
Furniture	5–10 years
Production vehicles	7–15 years
Vehicles	5 years
Other	5–10 years

The breakdown of property, plant and equipment and intangible assets by country is as follows:

SEKm	31 Dec 2021	31 Dec 2020
Sweden	2,465	2,480
Finland	1,633	1,607
The Netherlands*	1,539	1,517
Other countries	1,521	1,486
Total*	7,158	7,090

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Note 14 Tax assets and liabilities

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

Deferred tax assets and liabilities relate, among other things, to the tax effect of the difference between the tax base of the defined asset or liability and its carrying amount and the recognised tax losses carried forward.

Movements of deferred tax assets and liabilities per category are specified as follows:

SEKm	Tax losses carried forward	Property plant and equipment	Intangible assets	Provisions (incl. pensions)	Other assets and liabilities	Total
1 January 2020	21	-146	-632	55	-92	-794
Profit and loss account (charge)/ credit for the year*	11	5	-26	-2	-15	-27
Adjustments recognised in the period for tax of prior periods	8	1	2	0	-5	6
Effect of rate changes	0	-6	-28	0	2	-32
Other (including exchange differences)*	-2	4	19	6	5	32
31 December 2020*	38	-142	-665	59	-105	-815
Profit and loss account (charge)/ credit for the year	23	11	-9	-1	-9	15
Adjustments recognised in the period for tax of prior periods	0	-3	-3	-1	17	10
Effect of rate changes	7	-1	-6	0	1	1
Other (including exchange differences)	-15	-2	-10	-2	-3	-32
31 December 2021	53	-137	-693	55	-99	-821

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Deferred tax assets and liabilities are broken down as follows:

SEKm	31 Dec 2021	31 Dec 2020
Deferred tax assets*	42	21
Deferred tax liabilities*	-863	-836
Total*	-821	-815

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Deferred tax assets are expected to be realised as follows:

SEKm	31 Dec 2021	31 Dec 2020
Deferred tax asset to be realised after more than 12 months*	35	20
Deferred tax asset to be realised within 12 months	7	1
Total*	42	21

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

The composition of deferred tax assets for deductible temporary differences and tax losses carried forward is as follows:

SEKm	31 Dec 2021		31 Dec 2020	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences*	99	-	107	-
Tax losses carried forward	53	14	38	22
Total*	152	14	145	22

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

In the countries where Cloetta has tax losses carried forward, these do not expire.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax bases of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

SEKm	31 Dec 2021	31 Dec 2020
Deferred tax liability to be recovered after more than 12 months*	850	836
Deferred tax liability to be recovered within 12 months	13	0
Total*	863	836

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Current income tax

SEKm	31 Dec 2021	31 Dec 2020
Current income tax assets*	19	30
Current income tax liabilities*	-26	-21
Total*	-7	9

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

See also Note 30 for further details regarding accounting estimates and judgments in respect of the ongoing tax audits.

Note 15 Non-current financial assets

See Notes 1 (XVI) and (XVII) for the accounting policy.

SEKm	31 Dec 2021	31 Dec 2020
Deposits	4	2
Funded pension schemes in a net asset position	1	1
Other financial assets	0	0
Total	5	3

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.

See Note 23 for further details on the funded pension schemes in a net asset position.

Note 16 Inventories

See Note 1 (XIX) for the accounting policy.

Inventories for own use and resale

SEKm	31 Dec 2021	31 Dec 2020
Raw materials and consumables	299	286
Work in progress	59	60
Finished goods and goods for resale	485	606
Total	843	952

Movements in the provision for obsolete inventory are as follows:

SEKm	2021	2020
At 1 January	18	19
Provision for impairment of inventories	5	10
Inventories written off during the year as obsolete	-5	-11
Unused amounts reversed	-1	0
Exchange differences	0	0
At 31 December	17	18

Note 17 Trade and other receivables

See Notes 1 (XVI) for the accounting policy.

SEKm	31 Dec 2021	31 Dec 2020
Trade debtors before loss allowances	710	650
Loss allowances for trade receivables	-2	-4
Trade receivables	708	646
Other receivables	47	58
Prepaid expenses and accrued income	32	32
Total	787	736

Movements in the loss allowance for trade receivables are as follows:

SEKm	2021	2020
At 1 January	4	3
Provision for impairment of trade receivables	2	2
Trade receivables written off during the year as uncollectible	-3	-1
Unused amounts reversed	-1	0
Exchange differences	0	0
At 31 December	2	4

Cloetta Denmark ApS entered into a receivable purchase agreement with Skandinaviska Enskilda Banken for one Danish customer. As a result per year-end, Cloetta Denmark ApS received an amount of DKK 18m (17), equivalent to SEK 25m (24) in advance before the due date. Cloetta Denmark ApS pays a discount fee for the early receipt based on 3M CIBOR with a zero-floor clause and a fixed margin. The agreement will be terminated in 2022.

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

The age analysis of the trade receivables including loss allowances is as follows:

SEKm	31 Dec 2021			31 Dec 2020		
	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Current (not past due)	670	-	670	603	-	603
Up to 30 days past due	26	-	26	36	-	36
30 to 60 days past due	6	-	6	4	-	4
60 to 90 days past due	1	-	1	1	-	1
Over 90 days past due	7	-2	5	6	-4	2
Total	710	-2	708	650	-4	646

The other receivables and prepaid expenses and accrued income do not contain any provided amounts.

As of 31 December 2021, trade receivables of SEK 38m (43) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

Credit losses on other receivables and accrued income are expected to be immaterial.

Trade receivables in an amount of SEK 67m are covered by credit insurance.

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 trade receivables are denominated in the following currencies:

SEKm	31 Dec 2021	31 Dec 2020
Euro	289	245
Swedish krona	186	214
Danish krone	121	110
Great Britain pound	63	41
Norwegian krone	36	20
US dollar	6	3
Other currencies	7	13
Total	708	646

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

SEKm	31 Dec 2021	31 Dec 2020
Prepaid IT expenses	9	7
Prepaid rent, insurance and lease charges	8	7
Prepaid personnel-related expenses	1	2
Prepaid marketing expenses	0	3
Prepaid deposits	1	4
Other prepaid expenses	10	8
Other accrued income	3	1
Total	32	32

Note 18 Cash and cash equivalents

See Notes 1 (XXI) and (XXII) 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 2021	31 Dec 2020
Cash and cash equivalents	692	396
Total	692	396

All cash and cash equivalents are available on demand.

Svenska Handelsbanken AB (publ) provided the Group with a Notional Group Account (NGA). In 2018 Danske Bank A/S provided the Group with a Multicurrency Zero Balancing Cash Pool (MZBCP).

In conjunction with the inclusion of nearly all group companies in the MZBCP in 2019, the NGA was terminated on 25 March 2020.

The MZBCP 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 MZBCP provide the possibility to make 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 MZBCP, and any amounts available for this purpose pursuant to any credit facility and/or intraday revolving facility agreed upon separately. The MZBPC is based on, and connects, accounts in local account structures in different countries in which group companies participate as sub-account holders.

The following table shows the carrying amounts of recognised offsetting of financial assets and liabilities relating to the NGA and the MZBCP

2021 SEKm	Gross amounts of financial instruments	Offsetting negative cash balances by positive cash balances in cash pools	Net amount presented in the balance sheet	Related financial instruments that are not offset		Net amount
				Cash balances outside cash pools	Other loans from credit institutions	
Cash and cash equivalents	3,728	-3,052	676	16	-	692
Total assets	3,728	-3,052	676	16	-	692
Loans from credit institutions	3,052	-3,052	-	-	2,081	2,081
Total liabilities	3,052	-3,052	-	-	2,081	2,081

2020 SEKm	Gross amounts of financial instruments	Offsetting negative cash balances by positive cash balances in cash pools	Net amount presented in the balance sheet	Related financial instruments that are not offset		Net amount
				Cash balances outside cash pools	Other loans from credit institutions	
Cash and cash equivalents	2,945	-2,585	360	36	-	396
Total assets	2,945	-2,585	360	36	-	396
Loans from credit institutions	2,585	-2,585	-	-	2,054	2,054
Total liabilities	2,585	-2,585	-	-	2,054	2,054

Note 19 Equity

See Notes 1 (XXIII) and (XXV) 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 the dividend to the shareholders.

The company's long-term intention is a dividend pay-out of between 40 and 60 per cent of profit after tax. Both in 2021 and 2020, the ambition was to continue using cash flows to pay dividends and to maximise financial flexibility 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 net debt/EBITDA ratio (leverage). This ratio is calculated as net debt divided by EBITDA, adjusted for items affecting comparability. The Group has defined a long-term leverage target of 2.5x. The net debt/EBITDA ratio at 31 December 2021 was 2.0x (2.8).

Dividend per share

The Annual General Meeting (AGM) on 6 April 2021 and the Extraordinary General Meeting (EGM) on 3 November 2020 approved the following dividend

	2021	2020 ¹
Dividend per share, SEK	0.75	0.50
Total dividend, SEKm	216	144
Dividend as a percentage of profit for the previous year [*]	82	29
Payment date	April 2021	November 2020

¹) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

^{*}) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

After the reporting date, the following dividend was proposed by the Board of Directors. The dividend has not been recognised in the balance sheet at reporting date.

	2021	2020
Dividend per share, SEK	1.00	0.75
Total dividend, SEKm	287	216

The Board of Directors proposes that the total earnings in the Parent Company at the disposal of the AGM amounting to SEK 1,465m (1,657) are to be distributed to the shareholders in the amount of SEK 287m (216) and to be carried forward to new account in the amount of SEK 1,178m (1,441).

Group equity

Share capital

The number of shares authorised, issued and fully paid up at 31 December 2021 was 288,619,299 (288,619,299). The number of shares consists of 5,735,249 (5,735,249) class A shares and 282,884,050 (282,884,050) 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 only class B shares, all holders of class A and class B shares have the right to subscribe for new class B shares in proportion to the number of shares already held on the record date. The 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. See page 41 for further details.

Cloetta has purchased 1,590,629 shares at an average share price, including incremental transaction costs, of SEK 27.8942 during the period

1 November 2021 till 9 November 2021. These shares are held as treasury shares. The treasury shares are held with the purpose of issuing shares to the participants of LTI'21 at vesting date.

Foreign currency translation reserve

The foreign currency translation reserve consists of all exchange gains and 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.

Changes in equity

For disclosures about changes in equity in the Group, see the consolidated statements of changes in equity on page 79.

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

The Group applies hedge accounting for the investment in trademarks in Cloetta Ireland Ltd., Cloetta Suomi Oy, Cloetta Holland B.V. and Cloetta Slovakia s.r.o. See Note 1 (XVIII) for further details on the applied hedge accounting.

Share-based payments

See Note 23 for further details about share-based payments.

Note 20 Earnings per share

Basic earnings per share are calculated by dividing the 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 the 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 share-based payments.

The calculation of basic and diluted earnings per share is based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding:

	2021	2020
Profit for the year, attributable to ordinary shareholders (in SEKm) (basic and diluted)*	472	265
Number of issued ordinary shares at 1 January	288,619,299	288,619,299
Effect of forward contract to repurchase own shares	-903,049	-2,028,306
Effect of purchase of treasury shares	-235,326	-
Weighted average number of ordinary shares during the year before dilution	287,480,924	286,590,993
Effect of share-based payments	37,802	214,210
Weighted average number of ordinary shares during the year after dilution	287,518,726	286,805,203
Basic earnings per share, SEK*	1.64	0.92
Diluted earnings per share, SEK*	1.64	0.92

* Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Cloetta has entered into forward contracts to repurchase own shares in order to fulfil its future obligation to deliver the shares to the participants in the long-term share-based incentive plans. See Note 22 for a table that presents movements in the contracts as of 1 January 2020. The contract has been settled in the second quarter of 2021. Cloetta purchased 1,590,629 treasury shares to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plans.

Note 21 Borrowings

See Notes 1 (XXVI) and (XXVII) for accounting policies.

31 Dec 2021 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years	Total
Loans from credit institutions	-	800	1,281	-	2,081
Capitalised transaction costs	-3	-2	-1	-	-6
Commercial papers	150	-	-	-	150
Lease liabilities	59	41	42	1	143
Total	206	839	1,322	1	2,368

31 Dec 2020 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years	Total
Loans from credit institutions	2,054	-	-	-	2,054
Capitalised transaction costs	-1	-1	-	-	-2
Commercial papers	250	-	-	-	250
Accrued interest	1	-	-	-	1
Lease liabilities	64	49	61	2	176
Total	2,368	48	61	2	2,479

In the second quarter of 2021 Cloetta agreed on refinancing the Group through its existing banks for up to four years. The terms as agreed in the new multicurrency term and revolving facilities agreement came into effect on 30 June 2021 and comprise, in short, of:

- a SEK 800m term loan repayable on 30 June 2023, with the possibility of extending the facility for an additional two years;
- a EUR 125m term loan repayable on 30 June 2024, with the possibility of extending the facility for an additional two years; and

- a EUR 60m revolving credit facility, available up to 30 June 2025, with the possibility of extending the facility for an additional two years.

See Note 26 for the Group's contractually agreed undiscounted cash flows payable under financial liabilities, including interest payments.

SEKm	Long-term borrowings	Short-term borrowings	Total
Balance at 1 January 2020	939	1,870	2,809
<i>Changes from financing cash flows</i>			
Repayment of lease liabilities	-8	-64	-72
Proceeds from loans	-	310	310
Transaction costs paid	-	-1	-1
Repayment of loans	-	-305	-305
Proceeds from commercial papers	-	798	798
Repayment of commercial papers	-	-1,047	-1,047
Total changes from financing cash flows	-8	-309	-253
<i>Other changes</i>			
Capitalisation transaction cost	-1	-1	-2
Early termination of lease liabilities	-17	-	-17
Additions to lease liabilities	25	64	89
Amortisation of capitalised transaction costs	1	1	2
Interest expenses, third-party borrowings	6	17	23
Interest paid	-6	-17	-23
Reclassification between long-term and short-term borrowings	-800	800	-
Exchange differences on borrowings	-28	-57	-85
Total other changes	-820	807	-13
Balance at 31 December 2020	111	2,368	2,479
<i>Changes from financing cash flows</i>			
Repayment of lease liabilities	-5	-64	-69
Transaction costs paid	-8	-	-8
Proceeds from commercial papers	-	750	750
Repayment of commercial papers	-	-849	-849
Total changes from financing cash flows	-13	-163	-176
<i>Other changes</i>			
Capitalisation transaction cost	6	-5	1
Additions to lease liabilities	24	10	34
Early termination of lease liabilities	-2	-	-2
Amortisation of capitalised transaction costs	-	3	3
Interest expenses, third-party borrowings	12	12	24
Interest paid	-12	-12	-24
Reclassification between long-term and short-term borrowings	2,015	-2,015	-
Exchange differences on borrowings	21	8	29
Total other changes	2,064	-1,999	65
Balance at 31 December 2021	2,162	206	2,368

The carrying amounts and fair value of short-term and long-term borrowings are as follows:

SEKm	Fair value		Carrying amount	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Loans from credit institutions	2,081	2,054	2,081	2,054
Commercial papers	150	250	150	250
Lease liabilities	143	176	143	176
Total	2,374	2,480	2,374	2,480

The fair value of loans from credit institutions is equal to their carrying amount, as the impact of discounting is not significant, and the credit risk has not materially changed since the loan agreement was signed.

The Group's loans from credit institutions are exposed to interest rate changes and changes in the applicable margin on a quarterly basis. The commercial papers are issued at fixed interest rates, based on the applicable market prices at issue date.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Loans from credit institutions

On 22 July 2016, Cloetta entered into a term and revolving facilities agreement with a group of four banks, Danske Bank A/S, DNB Sweden AB, Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ), in SEK and EUR.

The Group credit facility at reporting date relates to:

SEKm	Outstanding amount		Interest percentage		Applicable margin	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Single currency term loan of nominal EUR 125m (125)	1,281	1,254	Variable EURIBOR + fixed applicable margin, with zero-floor	Variable EURIBOR + fixed applicable margin, with zero-floor	1.15%	1.05%
Single currency term loan of nominal SEK 800m (800)	800	800	Variable STIBOR + fixed applicable margin, with zero-floor	Variable STIBOR + fixed applicable margin, with zero-floor	1.05%	0.90%
Commercial papers of nominal SEK 1,000m (1,000)	150	250	Fixed margin per issued paper	Fixed margin per issued paper	0.48%	0.66%
Multicurrency credit revolving loan of EUR 50m (110)	-	-	Variable IBOR + fixed applicable margin, with zero-floor	Variable IBOR + fixed applicable margin, with zero-floor	1.25%	1.00%
Credit revolving loan of EUR 10m (10)	-	-	Variable EURIBOR + fixed applicable margin, with a floor of 0,20%	Variable EURIBOR + fixed applicable margin, with a floor of 0,20%	0.70%	0.70%
Total Group credit facility	2,231	2,304				
Capitalised transaction costs	-6	-2				
Lease liabilities	143	176				
Accrued interest	-	1				
Total borrowings	2,368	2,479				

At 31 December 2021, the Group had an unutilised credit facility of SEK 615m (1,204) and the possibility to issue additional commercial papers for an amount of SEK 850m (750). 35 per cent (35) of the fixed applicable margin on the unutilised amounts of the credit revolving loans is paid as a commitment fee.

On 8 June 2018, Cloetta entered into an amendment and restatement of the term and revolving facilities agreement, in combination with the launch of a commercial paper programme.

On 24 June 2020, Cloetta entered into an amendment agreement. In the second quarter of 2020 Cloetta extended a loan from credit institutions in the amount of EUR 125m (corresponding to SEK 1,312m) for a year.

On 20 April 2021, Cloetta entered in a new multicurrency term and revolving facilities agreement with the existing group of four banks: Danske Bank A/S, DNB Bank ASA, Sweden Branch, Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ). The terms as agreed came into effect on 30 June 2021. The total facilities at reporting date comprise an equivalent of SEK 800m and EUR 185m. The term and revolving facilities agreement is unsecured in nature.

The commercial paper programme, with a maximum outstanding amount of SEK 1,000m, is established to obtain flexibility in the short-term financing needs. See Note 26 for an overview of the maturity of the components of Cloetta's loans from credit institutions.

Cloetta has made an assessment of the impact of the Interbank offer rates (IBOR) reform project. The outcome of this assessment is that Cloetta has not been and will not be materially affected by the IBOR reform project in the short-term. The facilities drawn in the facilities agreement and the interest rate swaps are based on EURIBOR and STIBOR reference rates. Both these rates are not affected yet by the IBOR reform project. Nevertheless, when Cloetta refinanced its loans in 2021, it has incorporated provisions setting out the fallback position for the event that the STIBOR and EURIBOR cease to be published. Upon prolongation of or entering into new contracts containing references to IBOR reference rates, Cloetta will add provisions setting out fallback provisions as described above.

All borrowings are denominated in euros, with the exception of the single currency term loan of SEK 800m (800), the commercial papers of SEK 150m (250) and part of the lease liabilities for an amount corresponding to SEK 69m (83).

The effective interest rate for the loans from credit institutions and the commercial papers was 1.01 per cent (0.93).

Note 22 Derivative financial instruments

See Note 1 (XVII) for the accounting policy.

SEKm	31 Dec 2021		31 Dec 2020	
	Assets	Liabilities	Assets	Liabilities
<i>Non-current</i>				
Single currency interest rate swaps	2	-	-	0
Total non-current	2	-	-	0
<i>Current</i>				
Forward contract to repurchase own shares	-	-	-	49
Single currency interest rate swaps	1	0	-	5
Total current	1	0	-	54
Total	3	0	-	54

Forward contracts to repurchase own shares

Following the introduction of share-based long-term incentive plans, Cloetta entered into forward contracts in order to repurchase own shares to fulfil its future obligation to deliver the shares to the participants in its share-based long-term incentive plans. The forward contract to repurchase own shares is measured at cost. The contract has been settled in the second quarter of 2021, preceding the purchase of treasury shares. See Note 19.

The following table shows the movements in contracts since 1 January 2020

	Date	Contract 1	Contract 2
Balance at	1 Jan 2020	2,080,883	-
Shares granted to participants LT17 (settlement of forward contract to repurchase own shares)	28 April 2020	-95,264	-
Roll-forward to new forward contract to repurchase own shares	10 June 2020	-1,985,619	1,985,619
Balance at	31 Dec 2020	-	1,985,619
Shares granted to participants LT18 (settlement of forward contract to repurchase own shares)	27 April 2021	-	-136,625
Settlement forward contract to repurchase own shares	15 June 2021	-	-1,848,994
Balance at	31 Dec 2021	-	-
	Price, SEK	31,2385	24,9000

See Note 23 for more details about the share-based long-term incentive plan.

Single currency interest rate swaps

The Group has entered into several single currency 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 single currency interest rate swaps

		Notional principal amounts		Fixed interest currency rates		Duration	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
STIBOR Interest rate swaps	SEKm	-	800	-	0.4630%	-	Q1 2021 – Q4 2021
STIBOR Interest rate swaps	SEKm	850	-	0.1100%	-	Q1 2022 – Q2 2023	-
STIBOR Interest rate swaps	SEKm	100	-	0.1100%	-	Q3 2022 – Q2 2023	-
EURIBOR Interest rate swaps	EURm	35	35	0.3375%	0.3375%	Q1 2022 – Q2 2022	Q1 2021 – Q2 2022
EURIBOR Interest rate swaps	EURm	25	-	0.0830%	-	Q3 2022 – Q2 2024	-
EURIBOR Interest rate swaps	EURm	10	-	0.0830%	-	Q3 2023 – Q2 2024	-

All single currency interest rate swaps include zero-floors on the floating leg.

Note 23 Pensions and other long-term employee benefits

See Notes 1 (VII) and (XXV) 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 upon 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 and Norway that relate to pension and other long-term benefit schemes.

For the defined benefit pension plan in the Netherlands, the Group accounts as though this were 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 complies with UFR 10 for reporting plans with multiple 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 the event of liquidation of the fund, an amount that is sufficient to cover defined benefits will be secured. In the event of a deficit in the fund at the 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 37m (33). These are split into employer contributions of SEK 25m (22) and employee contributions of SEK 12m (11). At year-end 2021, the coverage of the pension fund was 110.6 per cent (97.8).

At 31 December 2021, the main defined benefit plans 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 are reduced proportionally if the expected years of service within the plan, are less than 30 years, irrespective of employer. ITP plan benefits vested with former employers are indexed according to the consumer price index.

Finland – Leaf/Merijal plan:

This 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

The Norwegian subsidiary has 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 a maximum of 66 per cent of final salary. The plan includes 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 linked to the old-age pension they would have received with their present salary.

The total pensions and other long-term employee benefits are determined as follows:

SEKm	31 Dec 2021	31 Dec 2020
Funded pension schemes in a net asset position	1	1
Obligation for pension benefits	-505	-512
Total	-504	-511

The net liability recognised in the balance sheet is determined as follows:

SEKm	31 Dec 2021	31 Dec 2020
Present value of funded obligations	73	78
Fair value of plan assets	-62	-62
Deficit of funded plans	11	16
Present value of unfunded obligations	491	495
Impact of minimum funding requirements/asset ceiling	2	-
Net liability in the balance sheet	504	511

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	Asset ceiling impact	Total
1 January 2020	568	-69	-	499
Current Service cost	12	-	-	12
Interest expense/(income)	7	0	-	7
Total amount recognised in profit or loss	19	0	-	19
<i>Remeasurements:</i>				
– Return on plan assets, excluding amounts included in interest expense/(income)	-	4	-	4
– Losses from change in financial assumptions	15	-	-	15
– Experience (gains)/losses	-9	-	-	-9
Total remeasurements recognised in other comprehensive income	6	4	-	10
Exchange differences	-3	1	-	-2
<i>Contributions:</i>				
– Employers	-	-15	-	-15
– Plan participants	0	0	-	-
<i>Payments from plans:</i>				
– Benefit payments	-17	17	-	-
31 December 2020	573	-62	-	511
Current Service cost	11	-	-	11
Interest expense/(income)	5	-	-	5
Total amount recognised in profit or loss	16	-	-	16
<i>Remeasurements:</i>				
– Return on plan assets, excluding amounts included in interest expense/(income)	-	-1	-	-1
– Losses from change in financial assumptions	-6	0	-	-6
– Experience (gains)/losses	-4	0	-	-4
– Change in asset ceiling, excluding amounts included in interest expense/(income)	-	-	2	2
Total remeasurements recognised in other comprehensive income	-10	-1	2	-9
Exchange differences	3	-2	-	1
<i>Contributions:</i>				
– Employers	-	-15	-	-15
– Plan participants	0	0	-	-
<i>Payments from plans:</i>				
– Benefit payments	-18	18	-	-
31 December 2021	564	-62	2	504

The Group expects to pay SEK 15m (14) in contributions to its defined benefit plans in 2022.

The defined benefit obligation and plan assets are composed by country as follows:

SEKm	Present value of obligation		Fair value of plan assets		Impact of asset ceiling		Defined benefit obligation	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Sweden	485	489	-15	-13	2	-	472	476
Norway	12	10	-13	-11	-	-	-1	-1
Finland	27	31	-21	-25	-	-	6	6
Other countries	40	43	-13	-13	-	-	27	30
Total	564	573	-62	-62	2	-	504	511

The significant actuarial assumptions are as follows:

Weighted average percentage	31 Dec 2021	31 Dec 2020
Discount rate	1.76	1.06
Expected rate of future salary increases	2.55	1.50
Expected rate of future increase for benefits in payment	2.07	2.02
Expected long-term inflation rate	2.16	1.42

Assumptions regarding future mortality are 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 for men in Norway, at the age of 62 for women in Norway and at the age of 65 in other countries:

Years	2021		2020	
	Sweden	Others	Sweden	Others
Retiring at the end of the reporting period:				
- Male	22	21	22	21
- Female	25	24	24	25
Retiring 20 years after the end of the reporting period:				
- Male	43	35	43	36
- Female	45	40	45	41

At 31 December 2021 the weighted average duration of the defined benefit obligation was 18.98 years (18.92 years).

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			
		2021		2020	
%	Change in assumptions	Increase	Decrease	Increase	Decrease
Discount rate	1%-point	-19	22	-19	22
Salary growth rate	1%-point	5	-4	5	-5
Pension growth rate	1%-point	17	-16	17	-15

%	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Life expectancy	4.18	-3.52	4.28	-4.98

The sensitivity analyses above 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 recognised in the statement of financial position. Plan assets for both 2020 and 2021 are 100 per cent comprised of insurance contracts.

The expected maturity analysis for undiscounted combined net defined benefit obligations and other long-term employee benefits is as follows:

SEKm	31 Dec 2021	31 Dec 2020
Less than 3 years	-	-
Between 3–7 years	-	-
Between 7–15 years	78	89
Over 15 years	486	484
Total	564	573

Total pension costs for defined benefit plans amounting to SEK 16m (19) 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

Share-based long-term incentive plan

The AGM approved the Board's proposals for a share-based long-term incentive plan to align the interests of the shareholders on the one hand, and the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation.

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.

To be eligible for so-called matching share rights entitling 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 the above requirements are fulfilled, for the long-term incentive plans until 2018. For the long-term incentive plans as from 2019, the matching shares are replaced by series A performance shares, that are conditional on Cloetta's average EBIT over the vesting period.

In addition, allocation of class B shares on the basis of performance share rights (series B) 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 the respective vesting periods. The share-based long-term incentive plans of 2017 and 2018 were vested in 2020 and 2021, respectively.

With respect to the share-based long-term incentive plan of 2019, the target levels set by the Board for the two performance targets were not met. The performance targets were related to growth in Cloetta's compounded sales value during the period 2019 to 2021 and EBITA level during 2021. As a result, Cloetta will not transfer shares to participants holding series A and series B performance share rights.

Total costs related to the non-vested share-based long-term incentive plans are expected to amount to SEK 38m (51) during the total vesting period. The total costs for the share-based long-term incentive plans recognised in 2021 are SEK -7m (3) due to releases within the year.

See page 43 for further details on the main characteristics of the share-based long-term incentive plans.

The forward contracts to repurchase own shares were settled on 10 June 2021 and amount to SEK 0m (49). See Note 22 for further details on the forward contracts to repurchase own shares.

Note 25 Trade and other payables

See Note 1 (XXVIII) for the accounting policy.

Trade and other payables are specified as follows:

SEKm	31 Dec 2021	31 Dec 2020
Trade payables	520	474
Other taxes and social security expenses	138	162
Pension liabilities	10	6
Other liabilities	4	38
Accruals and deferred income	595	464
Total	1,267	1,144

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Accruals and deferred income are specified as follows:

SEKm	31 Dec 2021	31 Dec 2020
Accrued personnel-related expenses	234	153
Accrued customer bonuses and discounts	222	173
Other accrued expenses and deferred income	139	138
Total	595	464

Movements in the number of shares for the share-based long-term incentive plans are as follows:

Number of shares in thousands	2021	2020
At 1 January	1,683	1,415
Granted for new plans	1,187	1,046
Vested plans	-137	-95
Released	-1,556	-683
At 31 December	1,177	1,683

Under the share-based long-term incentive plans, the entity receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period).

Note 24 Provisions

See Note 1 (XXIV) for the accounting policy.

Movements in provisions, excluding pension benefits and other long-term employee benefits, are specified as follows:

SEKm	Reorganisation	Other	Total
1 January 2020	5	5	10
Additions	31	3	34
Utilisations	-11	-	-11
Unused amounts reversed	-1	-1	-2
Exchange differences	-1	-1	-2
31 December 2020	23	6	29

Analysis of total provisions

Non-current			5
Current			24
Total			29

SEKm	Reorganisation	Other	Total
1 January 2021	23	6	29
Additions	1	12	13
Utilisations	-20	-11	-31
Unused amounts reversed	-1	-5	-6
Exchange differences	1	-1	0
31 December 2021	4	1	5

Analysis of total provisions

Non-current			-
Current			5
Total			5

See Note 23 for details about pensions and other long-term employee benefits.

Note 26 Financial risks and financial risk management

Through its activities, the Group is exposed to a variety of financial risks, such as financial market risk (including currency risk, 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 the Group treasury department 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 of Directors 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.

Financial market risk

Currency risk

The Group is primarily active in the European Union, Norway and the UK.

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 has resulted in a reduction in the volatility of net financial items caused by revaluation of monetary assets and liabilities as of the date of initial application of hedge accounting.

The Group's investment in trademarks in Cloetta Ireland Ltd, Cloetta Suomi Oy, Cloetta Holland B.V. and Cloetta Slovakia s.r.o. is hedged by net euro-denominated loans (carrying amount: EUR 157m (158)) which mitigates the foreign currency translation risk on these trademarks. The fair

value of the loans was EUR 157m (158). The loans are designated as a net investment hedge. The effectiveness of the hedge is tested and documented on a quarterly basis. The hedge effectiveness at 31 December 2021 was 103 per cent (104). No ineffectiveness has been recognised from the net investment hedge. The effect of the net investment hedge in a foreign operation is recognised in other comprehensive income. At 31 December 2021, the cumulative effect of the net investment hedge in a foreign operation amounted to SEK -158m (-139), net of tax, and was reported as part of the retained earnings within equity.

The Group's defined objective is to cover between 50 and 80 per cent of the expected net exposure on purchases and sales in USD and GBP if the exposure exceeds the equivalent of EUR 10m. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. At reporting date, the Group had no forward foreign currency contracts to hedge the currency risk of the USD and GBP. The Group is in compliance with the defined objectives for currency risks.

During 2021, exchange rates have been volatile and as a result impacted Cloetta's financial performance significantly.

In the 2021 financial year, if the Swedish krona had weakened/strengthened by 10 per cent against the euro with all other variables held constant, then profit before tax for the year would have been approximately SEK 40m (15) higher/lower. This is the 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. During 2020, the Norwegian krona weakened from 1.0591 to 0.9584 (-9.5%). As a result, a total exchange difference on cash and cash equivalents in an amount of SEK -10m was recognised in 2020. In 2021, the impact was less significant.

The currency risk attached to the transactions in the other currencies is not significant as the amounts involved are not significant to the total Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities.

The Group is exposed to the consequences of variable interest rates on the single-currency term loan of EUR 125m and the single-currency term loan of SEK 800m. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the Group. The Group's

objective when managing the interest rate risk is to have a fixed percentage between 50 and 80 per cent with an average maturity between 2 and 3.5 years on borrowings that are long-term in nature. At reporting date, the Group covered 2.5 years of its exposure to interest rate fluctuations.

If the interest rate had been 1 percentage point higher with all other variables held constant, profit before tax for the year would have been approximately SEK 1m (6) lower. If the interest rate had been 1 percentage point lower with all other variables held constant, profit before tax for the year would have been approximately SEK 1m (2) higher. The analysis considers the effects of single currency interest rate swaps and the impact of negative interest rates.

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.

A loss allowance for expected credit losses on trade receivables is established taking into account all possible default events that could lead to the Group not being able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable should be impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within net sales.

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. Diversity exists amongst other things in the size of customers, country of origin, size of outstanding receivables and types of customers. A large part of the trade debtors for International Markets, Ireland, the UK, Germany and the Netherlands and smaller trade debtors in Finland are insured via credit risk insurances. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's historical experience of collecting receivables is that credit risk is considered to be low across all markets.

The Group uses several banks (range of most used banks varies between AA- and A+ (long-term) and A-1 and A-2 (short-term)) and has a revolving facility available

SEKm	Rating (S&P)	Cash balances		Other loans	
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Danske Bank A/S	Long-term A+	677	360	-520	-618
DNB Sweden AB	Long-term AA-	-	-	-520	-618
KBC	Short-term A-1	2	3	-	-
Skandinaviska Enskilda Banken AB (publ)	Long-term A+	0	0	-520	-618
Svenska Handelsbanken AB (publ)	Long-term AA-	-	-	-520	-200
Tatra Banka	Short-term A-2	8	7	-	-
Other banks		5	25	-	-
Total		692	396	-2,081	-2,054

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group, reviewed by the Cloetta cash committee and is aggregated by the Group treasury department. The Group treasury department monitors the sources and the amounts of the 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 Multi-currency Zero Balancing Cash Pool (MZBCP) includes both the Parent Company and several operating entities. Surplus cash held by operating entities included in the MZBCP is available to the Group's treasury department and is used for the Group's internal and external financing activities. Surplus cash held by operating entities not included in the MZBCP is transferred to the Group's treasury department and is also used for the Group's internal and external financing activities.

The Covid-19 pandemic lockdown had a negative impact on the Group's liquidity position, mainly in the second quarter of 2020, as revenue-generating activities were impacted. The Group has taken actions to mitigate the impact, including the deferral and reduction of the dividend payment for the 2019 financial year.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

SEKm 31 Dec 2021	Term < 1 year	Term 1–2 years	Term 2–3 years	Term 3–4 years	Term 4–5 years	Term >5 years	Total
Loans from credit institutions	23	819	1,289	-	-	-	2,131
Commercial papers	150	-	-	-	-	-	150
Lease liabilities	59	41	27	12	3	1	143
Derivative financial liabilities	1	1	0	-	-	-	2
Trade and other payables, excluding other taxes and social security payables	1,129	-	-	-	-	-	1,129
Total	1,362	861	1,316	12	3	1	3,555

SEKm 31 Dec 2020	Term < 1 year	Term 1–2 years	Term 2–3 years	Term 3–4 years	Term 4–5 years	Term >5 years	Total
Loans from credit institutions	2,180	-	-	-	-	-	2,180
Commercial papers	253	-	-	-	-	-	253
Lease liabilities	64	49	33	20	8	2	176
Derivative financial liabilities	53	0	-	-	-	-	53
Trade and other payables, excluding other taxes and social security payables	982	-	-	-	-	-	982
Total	3,532	49	33	20	8	2	3,644

Capital risk management

In addition to the capital management disclosure in Note 19, the Group's priority in monitoring capital is to maintain compliance with the covenants in the applicable credit facilities agreements. Cloetta actively monitors these covenants and other ratios on a quarterly basis. The term and revolving facilities agreement, which is unsecured in nature, includes one covenant, relating to the net debt/EBITDA ratio. Throughout 2020 and 2021, the Group was in compliance with the covenant requirements.

Geopolitical developments

The war in Ukraine that erupted at the end of February entails risks of impact on the global economy, further cost inflation, and disruptions in supply chains. While Cloetta does not have any significant direct financial exposure to any of the countries involved, the company might be indirectly impacted by rising input costs and the availability of raw materials.

Note 27 Financial instruments – measurement categories and fair values

Fair value measurement

The only items recognised at fair value are the single currency interest rate swaps categorised within level 2 of the fair value hierarchy in all periods presented. The fair values of the financial assets and liabilities measured at amortised cost are approximately equal to their carrying amounts.

The following table presents the carrying amounts and fair values of the Group's financial assets and financial liabilities, including their levels in the fair value hierarchy:

SEKm 31 Dec 2021	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	-	721	-	721				
Single currency interest rate swaps	3	-	-	3	-	3	-	3
Cash and cash equivalents	-	692	-	692				
Total assets	3	1,413	-	1,416	-	3	-	3
Financial liabilities								
Loans from credit institutions	-	-	2,081	2,081				
Commercial papers	-	-	150	150				
Single currency interest rate swaps	0	-	-	0	-	0	-	0
Lease liabilities	-	-	143	143				
Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	-	-	1,129	1,129				
Total liabilities	0	-	3,503	3,503	-	0	-	0

SEKm 31 Dec 2020	Carrying amount				Fair value			
	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	-	663	-	663				
Cash and cash equivalents	-	396	-	396				
Total assets	-	1,059	-	1,059	-	-	-	-
Financial liabilities								
Loans from credit institutions	-	-	2,054	2,054				
Commercial papers	-	-	250	250				
Forward contract to repurchase own shares	-	-	49	49	-	2	-	2
Single currency interest rate swaps	5	-	-	5	-	5	-	5
Lease liabilities	-	-	176	176				
Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	-	-	982	982				
Total liabilities	5	-	3,511	3,516	-	7	-	7

The assets and liabilities measured at fair value at 31 December 2021 and 31 December 2020 respectively are reflected in derivative financial instruments. There are no financial instruments categorised within level 3 of the fair value hierarchy.

No transfers between fair value hierarchy levels have occurred during the financial year or 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 using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included within

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 within level 2.

The valuation techniques and inputs used to value financial instruments are:

- Quoted market prices or dealer quotes for similar instruments;

- The fair value of single currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used, are specified as follows:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments			
- Single currency interest rate swaps	The valuation of the single currency 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 contracts to repurchase own shares	The valuation of the forward contract to repurchase own shares is calculated as the agreed upon price for repurchasing own shares multiplied by the number of shares to be repurchased on the maturity date of the contract.	Not applicable	Not applicable

Note 28 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 Board of Directors, Group Management Team and key employees that have significant influence over the Group and AB Malfors Promotor and its subsidiaries are regarded as related parties. In 2020 and 2021, no transactions other than dividend payments occurred between Cloetta AB (publ) including its subsidiaries and AB Malfors Promotor including its subsidiaries.

Transactions with Board of Directors, Group Management Team and key employees

For information about salaries and remuneration of the Board of Directors and Group Management Team, see pages 64–65 and Notes 6, 7 and 23.

The Group has no receivables on the Board of Directors, Group Management Team and key employees. In 2020 and 2021 share-based long-term incentive plans were approved by the AGM. Total costs excluding social security charges related to the share-based long-term incentive plans that were recognised amount to SEK -7m (3), of which SEK -5m (3) is related to the Group Management Team. The decreased costs compared to 2020 are the result of partial releases of unvested plans.

Other liabilities to the Group Management Team and key employees consist of customary personnel-related liabilities. No other transactions other than dividend payment and employee and Board remuneration occurred between Cloetta AB (publ) including its subsidiaries and the Board of Directors, Group Management Team and key employees.

Note 29 Leases

See Note 1 (XXIX) for the accounting policy.

SEKm	2021	2020	Recognised in:
<i>Recognised expenses for leases under IFRS 16 amount to:</i>			
Interest expense	-2	-3	net financial items, in the profit and loss account
Impairment of right-of-use assets	-	-4	cost of goods sold, in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognised	-5	-8	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	-1	-1	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to variable lease payments not included in lease liabilities	-16	-17	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Total cash outflow for leases	-70	-75	cash flow from operating activities and financing activities, in the cash flow statement

The leases that have been recorded on Cloetta's balance sheet are categorised in land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

Cloetta makes use of the exemptions under IFRS 16 for short-term leases and leases of low-value assets, except for any leases of vehicles with a remaining lease term at initial implementation date of less than 12 months.

For a number of lease arrangements Cloetta cannot reliably separate the lease and non-lease elements. For leases in the classes of assets "land

and buildings" and "other equipment" the non-lease elements have been included in the calculation of the right-of-use asset.

Several lease arrangements contain extension or termination options. Insofar as Cloetta is reasonably certain of exercising the extension option or not exercising the termination option, these options have been reflected in the measurement of the lease liabilities.

See Note 13 for further details on right-of-use assets and Note 21 for further details on lease liabilities.

Note 30 Critical accounting estimates and judgements

In preparing the financial statements, the Group Management Team 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 Group Management Team 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 testing of intangible assets

For the purpose of impairment testing, assets are allocated to CGUs or groups of CGUs when it is not possible to assess impairment on an individual asset level. 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.

Using the company management's best estimates in determination of the terminal growth rates, pre-tax discount rates and future cash flows, the estimated recoverable amounts of the group of CGUs for goodwill impairment testing in Sweden, Denmark & Norway, Finland, the Netherlands & Germany and International Markets & the UK and the CGUs for trademarks impairment testing in Sweden, Finland and the Netherlands exceed the carrying amounts. For all groups of CGUs a reasonable change in assumptions will not lead to an impairment.

The carrying amount of the intangible assets at the end of the reporting period was SEK 5,582m (5,530).

Accounting for income taxes

As part of the process of preparing the financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the

Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Temporary differences between tax and financial reporting give rise to deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent that it is probable that, all or some portion of the deferred tax asset will not be realised.

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). Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. It should be noted that when discount rates decline or rates of future salary increase, the pension benefit obligations will increase. For details about the key assumptions and policies, see Note 23. The carrying amount at the end of the reporting period was SEK 504m (511).

Leases

The Group applies judgment to determine the lease term for some lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the Group is reasonably certain of exercising such options impacts the lease term, which significantly affects the amounts of lease liabilities and right-of-use assets recognised.

Note 31 Changes in accounting policies

New and amended standards and interpretations adopted by the Group

No new standards have been issued that are effective for annual periods beginning on or after 1 January 2021.

A number of amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021. None of these have a material impact on the consolidated financial statements of the Group with the exception of the IFRS Interpretation Committee agenda decision on how to account for cost of configuration or customisation in a cloud computing arrangement. The agenda decision clarifies that a company cannot capitalise expenses related to the implementation of a cloud computing arrangement in case the company has no control over the application software. However, a prepayment for services not yet received would still constitute an asset, but it will then be classified as a prepayment asset in the balance sheet.

The group previously recognised the cost related to the implementation of a cloud computing arrangement as an intangible asset and amortised the asset on a straight-line basis over the estimated useful life of the asset. Following the agenda decision, the group has reconsidered its accounting treatment. Cloetta deems not to have control over some cloud computing arrangements for which costs were capitalised. The group has adopted the

treatment set out in the agenda decision. This change in accounting policy has been accounted for retrospectively and comparative information has been restated. The previously capitalised costs are expensed, and the amortisation of the previously capitalised costs are reversed. The change in accounting treatment has as such no impact on total cash flows and neither on the investments made in cloud computing arrangements. The change in accounting treatment results in that most investments in cloud computing arrangements being expensed as incurred in the profit and loss account while other IT investments are capitalised and amortised over the useful life. The impact of the restatement on the figures presented in these financial statements is summarised in the table below.

Restatements related to change in accounting treatment of cloud computing arrangements

The table below shows the impact on the main consolidated financial statements and key figures of the restatement as a result of the change in accounting treatment for cloud computing arrangements. The effect of restated figures on totals and subtotals are not presented separately.

SEKm	Opening balance 2020 before restatement	Restatement	Opening balance 2020 restated
Consolidated balance sheet			
Intangible assets	5,684	-14	5,670
Deferred tax asset	9	0	9
Current income tax assets	6	1	7
Equity	4,197	-12	4,185
Deferred tax liabilities	803	0	803
Current income tax liabilities	44	-1	43

SEKm	2020 before restatement	Restatement	2020 restated
Consolidated profit and loss account			
General and administrative expenses	-564	-20	-584
Income tax	-122	4	-118
Earnings per shares, SEK Basic and diluted	0.98	-0.06	0.92
Consolidated statement of comprehensive income			
Profit for the period	281	-16	265
Currency translation differences	-193	2	-191
Total comprehensive income for the period attributable to owners of the Parent Company	122	-14	108

SEKm	2020 before restatement	Restatement	2020 restated
Consolidated balance sheet			
Intangible assets	5,563	-33	5,530
Deferred tax asset	20	1	21
Current income tax assets	27	3	30
Equity	4,179	-26	4,153
Deferred tax liabilities	837	-1	836
Current income tax liabilities	23	-2	21

Consolidated statements of changes in equity

SEKm	2020 before restatement	Restatement	2020 restated
Equity at the beginning of the period	4,197	-12	4,185
Profit for the period	281	-16	265
Other comprehensive income	-159	2	-157

SEKm	2020 before restatement	Restatement	2020 restated
Consolidated cash flow statement			
Operating profit	462	-20	442
Amortisation/depreciation of assets	275	5	280
Cash flow from investments in intangible assets	-23	15	-8
Key ratios			
Profit			
Depreciation	-265	-5	-270
Operating profit, adjusted	515	-20	495
Operating profit margin, adjusted %	9.0	-0.3	8.7
Operating profit (EBIT)	462	-20	442
Operating profit margin (EBIT margin), %	8.1	-0.3	7.8
EBITDA, adjusted	792	-15	777
EBITDA	750	-15	735
Profit margin, %	7.1	-0.4	6.7
Segments			
Branded packaged products			
Operating profit, adjusted	669	-20	649
Operating profit margin, adjusted %	14.8	-0.5	14.3
Financial position			
Capital expenditure	372	-15	357
Capital employed	7,224	-26	7,198
Equity/assets ratio, %	45.1	-0.1	45.0
Net debt/equity ratio, %	51.2	0.3	51.5
Return on equity, % (rolling 12 months)	6.7	-0.3	6.4
Equity per share, SEK	14.5	-0.1	14.4
Net debt / EBITDA	2.7	0.1	2.8
Cash flow			
Cash flow from operating activities	656	-15	641
Cash flow from investing activities	-289	15	-274
Cash flow from operating activities per shares, SEK	2.3	-0.1	2.2

New standards and amendments to standards not yet adopted

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, which have not been applied in preparing these consolidated financial statements. None of

these are expected to have a material impact on the consolidated financial statements of the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

Note 32 Events after the balance sheet date

After the end of the reporting period, no significant events have taken place that could affect the company's operations.

Parent Company financial statements

Parent Company profit and loss account

SEKm	Note	2021	2020
Net sales	P2	86	79
Gross profit		86	79
General and administrative expenses	P3, P4	-112	-81
Operating loss		-26	-2
Exchange differences on borrowings and cash	P5	-2	-2
Other financial income	P5	101	79
Other financial expenses	P5	-30	-27
Net financial items		69	50
Profit before tax		43	48
Income tax	P6	-12	-11
Profit for the year		31	37

Profit for the year corresponds to comprehensive income for the year.

Primary activities

Cloetta AB's primary activities include head office functions such as group-wide management and administration.

Parent Company balance sheet

SEKm	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current financial assets			
Deferred tax asset	P7	5	6
Shareholdings in group companies	P8	4,884	4,884
Derivative financial instruments	P12	1	-
Receivables from group companies	P15	465	464
Total non-current financial assets		5,355	5,354
Current assets			
Derivative financial instruments	P12	1	-
Receivables from group companies	P15	88	77
Other receivables		2	0
Cash and bank	P9	0	0
Total current assets		91	77
Total assets		5,446	5,431
EQUITY AND LIABILITIES			
Equity			
Share capital		1,443	1,443
Share premium		2,712	2,712
Treasury shares		-44	-
Retained earnings including profit for the year		-1,247	-1,055
Equity attributable to owners of the Parent Company	P10	2,864	3,100
Non-current liabilities			
Borrowings	P11	799	-
Payables to group companies	P15	139	137
Derivative financial instruments	P12	-	0
Provisions		2	1
Total non-current liabilities		940	138
Current liabilities			
Payables to group companies	P15	1,449	1,096
Borrowings	P11	150	1,050
Trade payables		3	0
Other current liabilities		7	23
Derivative financial instruments	P12	-	3
Accrued expenses and deferred income	P13	20	16
Current income tax liabilities	P7	13	5
Total current liabilities		1,642	2,193
Total equity and liabilities		5,446	5,431

Parent Company statement of changes in equity

SEKm	Share capital	Share premium reserve	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2020	1,443	2,712	-	-951	3,204
<i>Comprehensive income</i>					
Profit for the year	-	-	-	37	37
Total comprehensive income for 2020	-	-	-	37	37
Transactions with owners					
Share-based payments	-	-	-	3	3
Dividend ¹⁾	-	-	-	-144	-144
Total transactions with owners	-	-	-	-141	-141
Balance at 31 December 2020	1,443	2,712	-	-1,055	3,100
<i>Comprehensive income</i>					
Profit for the year	-	-	-	31	31
Total comprehensive income for 2021	-	-	-	31	31
Transactions with owners					
Purchase of treasury shares	-	-	-44	-	-44
Share-based payments	-	-	-	-7	-7
Dividend ¹⁾	-	-	-	-216	-216
Total transactions with owners	-	-	-44	-223	-267
Balance at 31 December 2021	1,443	2,712	-44	-1,247	2,864

1) The dividend paid in 2021 comprised a dividend of SEK 0.75 (0.50) per share.

Profit for the year corresponds to comprehensive income for the year.
Total equity is attributable to the owners of the Parent Company.

Parent Company cash flow statement

SEKm	Note	2021	2020
Operating loss		-26	-2
Interest paid		-25	-19
Income tax paid		-17	-2
Cash flow from operating activities before changes in working capital		-68	-23
Cash flow from changes in working capital			
Change in operating receivables		74	92
Change in operating liabilities		354	326
Cash flow from operating activities		360	395
Cash flow from operating and investing activities		360	395
Financing activities			
Repayment of interest-bearing borrowings		-849	-1,247
Proceeds from borrowings (net of transaction cost)		750	998
Dividends to shareholders		-216	-144
Transaction costs paid		-2	-
Purchase of treasury shares		-44	-
Cash flow from financing activities		-361	-393
Cash flow for the year		-1	2
Cash and cash equivalents at beginning of year	P9	0	0
Cash flow for the year		-1	2
Exchange difference		1	-2
Cash and cash equivalents at end of year	P9	0	0

Notes to the Parent Company financial statements

Note **P1** Accounting and valuation policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The statements issued by the Board with respect to listed companies are also applied. RFR 2 states that in the report for the legal entity, the Parent Company shall apply all EU-endorsed IFRSs and statements as far as possible, within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared to IFRS. These financial statements include the financial statements of the Parent Company covering the period from 1 January to 31 December 2021. Unless otherwise stated below, the accounting standards for the Parent Company have been consistently applied in the period.

Changed accounting standards

Neither revised IFRSs, nor revised RFR 2 (January 2018) effective from 1 January 2021 have entailed any practical change in the 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, relate mainly to financial income and expenses, equity and the presentation of provisions as a separate item in the balance sheet.

Borrowing costs

Borrowing costs are expensed when incurred and recognised in the other financial expenses in the profit and loss account.

Group contributions

Group contributions received are recognised in other financial income in the profit and loss account. Group contributions paid to group companies are reported by the Parent Company as other financial expenses in the profit and loss account.

Shareholdings in group companies

Shareholdings in group companies are accounted for at acquisition costs. The transaction costs are included in the carrying amount of shareholdings in group companies.

Dividends

Anticipated dividends from group companies are recognised in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Dividends received from group companies are recognised in the profit and loss account.

Employee benefits

Remeasurements arising from defined benefit plans also include the return on plan assets excluding interest and the effect of the asset ceiling, if any, excluding interest. Remeasurements are recognised in the profit and loss account when incurred. Salary increases are not taken into account in the calculation of the defined benefit obligation, and the applied discount rate is established by the Swedish Financial Supervisory Authority. All other expenses related to defined benefit plans are recognised in the general and administrative expenses in the profit and loss account when incurred.

Financial guarantees

For reporting of financial guarantee contracts on behalf of group companies, the Parent Company applies a voluntary exemption that is permitted by the Swedish Financial Reporting Board. The voluntary exemption relates to financial guarantees issued on behalf of group companies. The Parent Company recognises financial guarantee contracts as provisions in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation. The costs are recognised in the general and administrative expenses in the profit and loss account.

Note **P2** Breakdown of income

The net sales of SEK 86m (79) relate to intra-group services and intra-group royalty income.

The breakdown of net sales by market is as follows:

SEKm	2021	2020
Sweden	35	31
The Netherlands	19	17
Finland	8	8
Other	24	23
Total	86	79

Note P3 Personnel expenses and number of employees

SEKm	2021	2020
Salaries and remuneration Group Management Team		
– Sweden	22	14
<i>Of which, short-term variable compensation – Sweden</i>	11	0
Total salaries and remuneration	22	14
Pension costs Group Management Team		
– Defined contribution plans	4	3
– Defined benefit plans	-	-
Total pension costs	4	3
Social security expenses, all employees	4	4
Total pension costs and social security expenses	8	7
Total personnel expenses	30	21

See pages 64–65 for details on remuneration of the Group Management Team.

The company expends the pension obligation related to the defined benefit pension plans, which are secured through credit insurance with, and administered by, Försäkringsbolaget PRI Pensionsgaranti, Mutual in the administrative expenses in the profit and loss account.

The average number of employees is 4 (4), of which 0 (0) are women. All employees are employed in Sweden.

The specification of gender distribution in the Board of Directors and Group Management Team is as follows:

%	2021	2020
Percentage of women		
Board of Directors	29	29
Group Management Team	20	18

Note P4 Audit fees

SEKm	2021	2020
Fee for auditing services	3	2
<i>Fee for other services</i>		
– Tax advice	-	-
– Audit-related advice	-	-
– Other	-	0
Total other services	-	0
Total audit fees	3	2

For both the financial years 2020 and 2021 PwC was elected as auditor of the Group.

Auditing services relate to:

- the audit of the statutory financial statements of the Parent Company,
- the audit of the Parent Company's administration by the Board of Directors and the President and CEO,
- the procedures for the auditor's statement regarding the guidelines for remuneration to senior executives, pursuant to Chapter 8, Section 54 of the Swedish Companies Act (2005:551), and
- the procedures for the auditor's opinion on the statutory sustainability report.

Note P5 Net financial items

SEKm	2021	2020
Exchange differences on borrowings and cash	-2	-2
Group contributions	88	70
Interest income, group companies	8	9
Unrealised gains on single currency interest rate swaps	5	0
Other financial income	101	79
Interest expenses, third-party borrowings	-9	-20
Interest expenses, group companies	-4	-4
Interest expenses on third-party pensions	0	0
Unrealised losses on single currency interest rate swaps	-	0
Realised losses on single currency interest rate swaps	-4	-3
Other interest expenses	-13	0
Other financial expenses	-30	-27
Net financial items	69	50

Note P6 Income taxes

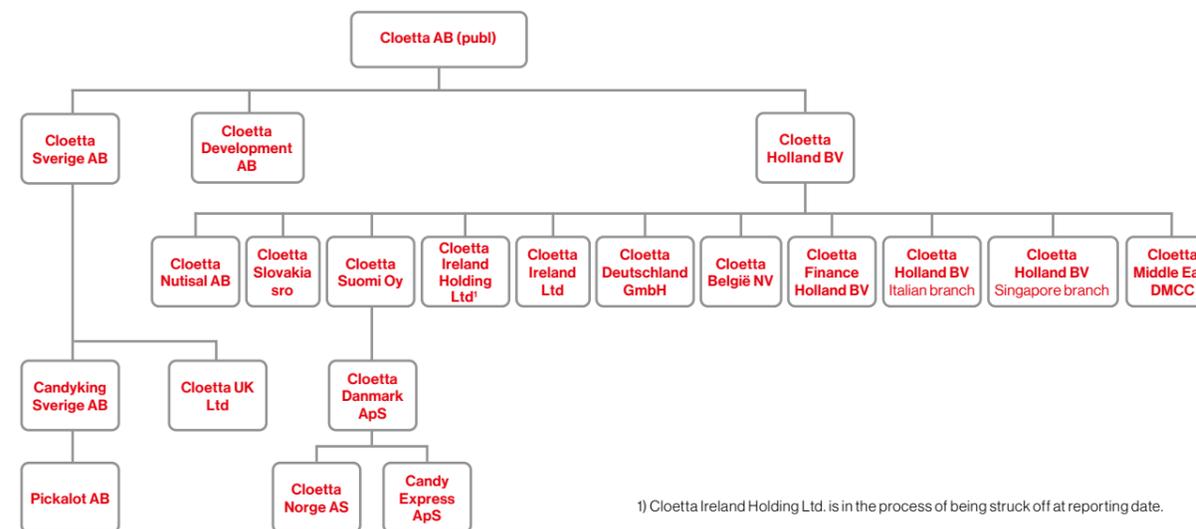
SEKm	2021	2020
Current income tax	-11	-11
Deferred income tax	-1	0
Total	-12	-11
The year's income tax expense corresponds to an effective tax rate of, %	26.9	23.1

SEKm	2021	2020
<i>The difference between the effective tax rate and the statutory tax rate in Sweden is attributable to the following items:</i>		
Taxable profit from ordinary activities	43	48
Tax calculated at applicable tax rate for the Parent Company	-9	-10
Expenses not deductible for tax purposes	-2	-1
Adjustments recognised in the period for tax for prior periods	-1	-1
Other	0	1
Income tax	-12	-11
Reported effective tax rate, %	26.9	23.1
Tax rate in Sweden, %	20.6	21.4

Note P7 Deferred and current income tax

Deferred tax assets and liabilities relate to the tax effect of the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements. Deferred tax for the period was SEK 5m (6) and is considered to be realised after more than 12 months. The recognised deferred taxes comprise deductible temporary differences of SEK 5m (6) and unutilised tax losses carried forward of SEK 0m (0). There are no unrecognised deferred taxes.

Note P8 Shareholdings in group companies



1) Cloetta Ireland Holding Ltd. is in the process of being struck off at reporting date.

Corp. ID no.	Domicile	% of capital		Carrying amount in SEKm	
		2021	2020	2021	2020
Cloetta Holland B.V.	Amsterdam, the Netherlands	100	100	4,087	4,087
Cloetta België N.V.	Turnhout, Belgium	100	100	-	-
Cloetta Suomi Oy	Turku, Finland	100	100	-	-
Cloetta Danmark ApS	Brøndby, Denmark	100	100	-	-
Candy Express ApS ⁵	Brøndby, Denmark	100	-	-	-
Cloetta Norge AS	Høvik, Norway	100	100	-	-
Cloetta Deutschland GmbH	Bocholt, Germany	100	100	-	-
Cloetta USA Inc. ²	Wilmington, United States	-	-	-	-
Cloetta Finance Holland B.V.	Amsterdam, the Netherlands	100	100	-	-
Cloetta Slovakia s.r.o.	Bratislava, Slovakia	100	100	-	-
Cloetta Nutisal AB	Helsingborg, Sweden	100	100	-	-
Cloetta Ireland Holding Ltd. ⁸	Dublin, Ireland	100	100	-	-
Cloetta Ireland Ltd. ⁷	Dublin, Ireland	100	100	-	-
Candymix Ireland Ltd. ⁶	Dublin, Ireland	-	100	-	-
Cloetta Middle East DMCC	Dubai, United Arab Emirates	100	100	-	-
Cloetta Sverige AB	Malmö, Sweden	100	100	795	795
Candyking Sverige AB	Stockholm, Sweden	100	100	-	-
Pickalot AB	Stockholm, Sweden	100	100	-	-
Cloetta UK Ltd.	Hampshire, United Kingdom	100	100	-	-
Cloetta UK Dormant Ltd. ⁴	Heysham, United Kingdom	-	-	-	-
FTF Sweets USA Inc. ¹	Newark, United States	-	-	-	-
Candyking Poland Sp. z o.o. ³	Warsaw, Poland	-	-	-	-
Cloetta Development AB	Linköping, Sweden	100	100	2	2
Total				4,884	4,884

1) On 8 February 2017, FTF Sweets USA Inc. was dissolved. The three-year unwinding period ended on 8 February 2020.

2) On 23 May 2017, Cloetta USA Inc. was dissolved. The three-year unwinding period ended on 23 May 2020.

3) On 13 February 2020, Cloetta Poland Sp. z o.o. was liquidated.

4) On 16 March 2021, Cloetta UK Dormant Ltd was dissolved.

5) On 27 April 2021, Candy Express ApS was incorporated.

6) On 3 June 2021, Candymix Ireland Ltd was dissolved.

7) On 9 December 2021, Cloetta Ireland Holding Ltd sold Cloetta Ireland Ltd. to Cloetta Holland B.V.

8) Cloetta Ireland Holding Ltd is in the process of being struck off.

See Note 1 for disclosures on changes in Group structure.

Note P9 Cash and cash equivalents

A Multicurrency Zero Balancing Cash Pool (MZBCP) is in place, which is held by Cloetta Holland B.V. As a result, only the cash at bank accounts outside the MZBCP is presented for Cloetta AB (publ).

See Note 18 for further details.

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.

Treasury shares

Cloetta has purchased 1,590,629 shares at an average share price, including incremental transaction costs, of 27.8942 during the period 1 November 2021 till 9 November 2021. These shares are held as treasury shares. The treasury shares are held with the purpose of issuing shares to the participants of LTI'21 at vesting date.

Dividend

The Annual General Meeting (AGM) on 6 April 2021 and the Extraordinary General Meeting (EGM) on 3 November 2020 approved the following dividend:

	2021	2020 ¹
Dividend per share, SEK	0.75	0.50
Total dividend, SEKm	216	144
Dividend as a percentage of profit of the Cloetta Group for the previous year*	82	29
Payment date	April 2021	November 2020

1) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

*) Comparative figures have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

After the reporting date, the following dividend was proposed by the Board of Directors. The dividend has not been recognised as liability in the balance sheet

SEKm	2021	2020
Dividend per share, SEK	1.00	0.75
Total dividend, SEKm	287	216

The Board of Directors proposes that the total earnings in the Parent Company at the disposal of the AGM of SEK 1,465m (1,657) are to be distributed as follows: SEK 287m (216) to be distributed to the shareholders and SEK 1,178m (1,441) to be carried forward to new account.

Note P11 Borrowings

The Parent Company's borrowings consist of loans from credit institutions for a net amount of SEK 799m (800) and commercial papers of SEK 150m (250).

The following table shows the reconciliation of movements of liabilities to cash flows arising from financing activities

SEKm	Long-term borrowings	Short-term borrowings	Total
Balance at 1 January 2020	799	499	1,298
<i>Changes from financing cash flows</i>			
Proceeds from commercial papers	-	798	798
Repayment of commercial papers	-	-1,047	-1,047
Proceeds from loans	-	200	200
Repayment of loans	-	-200	-200
Total changes from financing cash flows	-	-249	-249
<i>Other changes</i>			
Reclassification between long-term and short-term borrowings	-799	799	-
Amortisation of capitalised transaction costs	-	1	1
Interest expenses, third-party borrowings	6	5	11
Interest paid	-6	-5	-11
Total other changes	-799	800	1
Balance at 31 December 2020	-	1,050	1,050
<i>Changes from financing cash flows</i>			
Proceeds from commercial papers	-	750	750
Repayment of commercial papers	-	-849	-849
Transaction costs paid	-2	0	-2
Other changes from financing cash flows	-	-1	-1
Total changes from financing cash flows	-2	-100	-102
<i>Other changes</i>			
Reclassification between long-term and short-term borrowings	800	-800	-
Amortisation of capitalised transaction costs	1	-	1
Interest expenses, third-party borrowings	8	1	9
Interest paid	-8	-1	-9
Total other changes	801	-800	1
Balance at 31 December 2021	799	150	949

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 2m (-3) of which SEK 1m (0) is non-current in nature.

Note P13 Accrued expenses and deferred income

Accrued expenses and deferred income amount to SEK 20m (16), of which SEK 15m (3) is related to accrued personnel-related expenses and SEK 5m (13) to other accrued expenses and deferred income.

Note P14 Pledged assets and contingent liabilities

SEKm	31 Dec 2021	31 Dec 2020
<i>Contingent liabilities</i>		
Guarantees on behalf of group companies	611	801
Guarantee for loans from credit institutions for group companies	1,281	1,254
Total	1,892	2,055

The company issued a parent company guarantee pursuant to Article 403, Book 2 of the Dutch Civil Code in respect of Cloetta Holland B.V. and Cloetta Finance Holland B.V. This means that Cloetta AB declares and accepts, under reservation of legal repeal of the declaration, joint and several liability for the debts resulting from legal acts of Cloetta Holland B.V. and Cloetta Finance Holland B.V. As the probability of a settlement is remote, an estimate of the financial effect is not practical to calculate. The term and revolving facilities agreement is unsecured in nature.

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 2021	31 Dec 2020
Non-current interest-bearing receivables	465	464
Current interest-free receivables	88	77
Non-current interest-bearing payables	-139	-137
Current interest-bearing payables	-1,449	-1,096
Total	-1,035	-692

For the Parent Company, SEK 86m (79), equal to 100 per cent (100) of the year's net sales, and SEK 66m (50), equal to 59 per cent (62) of the year's purchases, relate 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 2021, the Parent Company's receivables from group companies amounted to SEK 553m (541) and liabilities to subsidiaries amounted to SEK 1,588m (1,233). Transactions with related parties are priced on market-based terms. Total costs excluding social security charges related to the share-based long-term incentive plan amounted to SEK -3m (1), of which SEK -3m (1) is related to the Group Management Team.

The Parent Company has no past experience of credit losses on receivables from group companies and future credit losses are expected to be immaterial.

Proposed appropriation of earnings

Earnings in the Parent Company at the disposal of the Annual General Meeting

		2021
Share premium reserve	SEK	2,711,620,366
Retained earnings	SEK	-1,278,265,974
Profit for the year	SEK	31,712,063
Total	SEK	1,465,066,455

The Board of Directors and the President and CEO 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

The Board of Directors proposes that dividends be paid in a total amount of SEK 287,028,670 equal to SEK 1.00 per share. The Board of Directors proposes that the earnings be disposed of as follows:

The earnings are to be disposed as follows:		2021
To be distributed to the shareholders	SEK	287,028,670
To be carried forward to new account	SEK	1,178,037,785
Total	SEK	1,465,066,455

The number of shares at 31 December 2021 was 288,619,299, of which 1,590,629 were held in treasury.

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. The statutory Sustainability Report, comprising those areas in the Cloetta AB (publ) annual report with content specified on the inside of the front cover, has been approved for publication by the Board of Directors.

Stockholm, 10 March 2022

Mikael Norman
Chairman

Lottie Knutson
Member of the Board

Patrick Bergander
Member of the Board

Alan McLean Raleigh
Member of the Board

Mikael Svenfelt
Member of the Board

Camilla Svenfelt
Member of the Board

Mikael Aru
Member of the Board

Lena Grönedal
Employee Board member

Mikael Ström
Employee Board member

Henri de Sauvage-Nolting
President and CEO

Our audit report was issued 10 March 2022

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant
Partner in charge

Erik Bergh
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 6 April 2022. 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 for publication on 14 March 2022, at 08:00 CET.

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Cloetta AB (publ), corporate identity number 556308-8144

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Cloetta AB (publ) for the year 2021 except for the corporate governance statement on pages 58–73. The annual accounts and consolidated accounts of the company are included on pages 45–124 in this document.

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 parent company and the group as of 31 December 2021 and its financial performance and cash flow 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 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58–73. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation

(537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period.

These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter

Impairment test for intangible assets

Goodwill and other intangible assets with an indefinite useful life represent a significant part of the Balance Sheet of Cloetta and amount to SEK 5,501m (5,424) as of 31 December 2021. The group annually performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating unit in which goodwill and other intangible assets are reported, as required by IFRS. Impairment tests, by their nature, are based on a high level of judgments and assumptions regarding future cash flows.

Information is provided in Notes 1 and 12 as to how the group's management has undertaken its assessments, and also provides information on important assumptions. As described in Note 12, Cloetta assessed during 2020 that the market conditions were affected by the current pandemic with a negative impact on Cloetta's operations, which thereby increased the risk for impairment of intangible assets. As can be seen from the note, Cloetta has seen a gradual recovery in market conditions in 2021 compared with 2020, which has led Cloetta to assess that the risk for impairment of intangible assets has now decreased.

Key variables in the test are growth rate and discount factor (cost of capital). It is also presented that no impairment requirement has been identified based on the assumptions undertaken.

How our audit addressed the Key Audit Matter

In our audit, we have evaluated the calculation model applied by management and tested the mathematical accuracy. This implies that we have reconciled and critically tested essential variables against budget and long-term plan for the group and in some cases towards external data. Furthermore, we have performed a retrospective review of the prior period estimate by comparing it to actual current period results.

We have tested the sensitivity in the group's analysis for key variables in order to assess the risk for impairment. We have also assessed the disclosures included in the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–44 and 129–148. Other information also consists of the remuneration report 2021 which we obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Cloetta AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally

accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Cloetta AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Cloetta AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the ESEF report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements*, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, i.e. if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the ESEF report has been marked with iXBRL which

enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58–73 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Cloetta AB (publ) by the general meeting of the shareholders on the 6 April 2021 and has been the company's auditor since the 4 April 2019.

Stockholm 10 March 2022

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Partner in charge

Erik Bergh
Authorized Public Accountant



Ten-year overview

SEKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Profit and loss account in summary										
Net sales	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859
Cost of goods sold	-3,898	-3,718	-4,112	-3,934	-3,678	-3,084	-3,463	-3,325	-3,081	-3,157
Gross profit	2,148	1,977	2,381	2,284	2,106	2,023	2,211	1,988	1,812	1,702
Other operating income	-	-	-	4	6	-	0	5	12	13
Selling expenses	-938	-951	-1,011	-1,025	-972	-806	-949	-892	-850	-888
General and administrative expenses*	-645	-584	-643	-603	-613	-582	-591	-524	-556	-702
Operating profit*	565	442	727	660	527	635	671	577	418	125
Exchange differences cash and cash equivalents in foreign currencies	33	-10	-19	-16	-17	-8	-1	-11	-12	20
Other financial income	9	3	2	5	7	17	6	4	24	5
Other financial expenses	-49	-52	-62	-87	-74	-175	-183	-232	-220	-290
Net financial items	-7	-59	-79	-98	-84	-166	-178	-239	-208	-265
Profit/loss before tax*	558	383	648	562	443	469	493	338	210	-140
Income tax expense*	-86	-118	-150	-79	-206	-122	-107	-96	54	67
Profit/loss for the period for continuing operations*	472	265	498	483	237	347	386	242	264	-73
Result after tax from discontinued operations	-	-	-	-	-334	-538	-	-	-	-
Net profit/loss for the period*	472	265	498	483	-97	-191	386	242	264	-73
<i>Profit for the period attributable to:</i>										
Owners of the Parent Company										
Continuing operations*	472	265	498	483	237	347	386	242	264	-73
Discontinued operation	-	-	-	-	-334	-538	-	-	-	-
Total*	472	265	498	483	-97	-191	386	242	264	-73

*1) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

SEKm	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Balance sheet in summary										
Intangible assets*	5,582	5,530	5,684	5,626	5,490	5,354	5,948	5,882	5,252	5,099
Property, plant and equipment	1,576	1,560	1,559	1,354	1,338	1,700	1,698	1,667	1,660	1,611
Deferred tax asset*	42	21	9	16	20	54	64	84	73	473
Derivative financial instruments	2	-	-	-	-	-	-	-	-	-
Other financial assets	5	3	7	11	11	13	27	105	91	88
Total non-current assets*	7,207	7,114	7,259	7,007	6,859	7,121	7,737	7,738	7,076	7,271
Inventories	843	952	888	765	745	780	786	853	798	773
Trade and other receivables	787	736	928	838	881	988	975	1,121	933	951
Current income tax assets*	19	30	6	6	8	36	3	3	0	4
Derivative financial instruments	1	-	-	1	0	4	1	2	-	-
Cash and cash equivalents	692	396	579	551	759	298	246	229	167	306
Total current assets*	2,342	2,114	2,401	2,161	2,393	2,106	2,011	2,208	1,898	2,034
Assets held for sale	-	-	-	-	-	9	11	16	15	35
TOTAL ASSETS*	9,549	9,228	9,660	9,168	9,252	9,236	9,759	9,962	8,989	9,340
Equity*	4,515	4,153	4,197	3,968	3,818	4,199	4,344	4,048	3,747	3,326
Long-term borrowings	2,162	111	939	2,076	1,715	2,666	2,612	2,993	3,096	2,516
Deferred tax liability*	863	836	803	754	703	586	621	483	397	824
Derivative financial instruments	-	0	3	3	2	12	44	56	21	3
Other non-current liabilities	-	-	-	-	138	-	43	147	2	-
Provisions for pensions and other long-term employee benefits	505	512	499	419	374	396	378	505	360	452
Provisions	-	5	5	9	5	22	10	16	7	11
Total non-current liabilities*	3,530	1,464	2,249	3,261	2,937	3,682	3,708	4,200	3,883	3,806
Short-term borrowings	206	2,368	1,870	500	999	2	344	423	212	747
Derivative financial instruments	0	54	68	61	71	54	35	16	2	21
Trade and other payables	1,267	1,144	1,227	1,342	1,394	1,196	1,216	1,152	967	1,264
Provisions	5	24	5	23	3	64	57	65	79	79
Current income tax liabilities*	26	21	44	13	30	39	55	58	99	97
Total current liabilities*	1,504	3,611	3,214	1,939	2,497	1,355	1,707	1,714	1,359	2,208
Total equity and liabilities*	9,549	9,228	9,660	9,168	9,252	9,236	9,759	9,962	8,989	9,340

*1) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Key ratios

SEKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Profit										
Net sales	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859
Net sales, change %	6.2	-12.3	4.4	7.5	13.3	n/a	6.8	8.6	0.7	4.3
Organic net sales, change, %	8.4	-11.2	2.3	-2.8	-1.2	n/a	1.5	1.0	-1.0	-4.1
Gross margin, %	35.5	34.7	36.7	36.7	36.4	39.6	39.0	37.4	37.0	35.0
Depreciation*	-250	-270	-290	-218	-218	-206	-227	-198	-175	-167
Amortisation	-10	-10	-11	-12	-11	-5	-4	-3	-2	-1
Impairment loss other non-current assets	-1	-13	-2	-	-9	-2	-	-	-	-
Operating profit (EBIT), adjusted*	571	495	743	677	604	695	690	632	585	432
Operating profit margin (EBIT margin), adjusted %*	9.4	8.7	11.4	10.9	10.4	13.6	12.2	11.9	12.0	8.9
Operating profit (EBIT)*	565	442	727	660	527	635	671	577	418	125
Operating profit margin (EBIT margin), %*	9.3	7.8	11.2	10.6	9.1	12.4	11.8	10.9	8.5	2.6
EBITDA, adjusted*	832	777	1,046	907	833	906	921	833	762	600
EBITDA*	826	735	1,030	890	765	848	902	778	595	293
Profit margin, %*	9.2	6.7	10.0	9.0	7.7	9.2	8.7	6.4	4.3	-2.9
Segments										
Branded packaged products										
Net sales	4,686	4,527	n/a							
Operating profit, adjusted*	577	649	n/a							
Operating profit margin, adjusted %*	12.3	14.3	n/a							
Pick & mix										
Net sales	1,360	1,168	n/a							
Operating profit, adjusted	-6	-154	n/a							
Operating profit margin, adjusted %	-0.4	-13.2	n/a							
Financial position										
Working capital	363	540	589	402	232	572	628	819	763	458
Capital expenditure*	230	357	235	184	157	170	161	186	211	269
Net debt	1,679	2,139	2,302	2,091	2,035	2,443	2,818	3,308	3,230	3,056
Capital employed*	7,388	7,198	7,576	7,027	6,979	7,329	7,756	8,041	7,438	7,066
Return on capital employed, %* 1	7.9	6.0	10.0	9.5	8.2	11.1	8.6	7.5	6.1	1.9
Equity/assets ratio, %*	47.3	45.0	43.4	43.3	41.3	45.5	44.5	40.6	41.7	35.6
Net debt/equity ratio, %*	37.2	51.5	54.8	52.7	53.3	58.2	64.9	81.7	86.2	91.9
Return on equity, %*	10.5	6.4	11.9	12.2	6.2	-4.5	8.9	6.0	7.0	-2.2
Equity per share, SEK*	15.7	14.4	14.5	13.7	13.2	14.5	15.1	14.0	13.0	11.5
Net debt/EBITDA, x*	2.0	2.8	2.2	2.3	2.4	2.4	3.0	4.0	4.2	4.9
Cash flow										
Cash flow from operating activities*	858	641	724	628	712	889	927	500	131	330
Cash flow from investing activities*	-191	-274	-330	-184	-22	-322	-367	-369	-202	-1,506
Cash flow after investments	667	367	394	444	690	567	560	131	-71	-1,176
Free cash flow	664	366	538	444	555	719	766	318	-80	61
Free cash flow yield, %	8.8	5.2	5.9	6.3	6.5	8.7	9.5	4.9	-1.4	1.6
Cash flow from operating activities per share, SEK*	3.0	2.2	2.5	2.2	2.5	3.1	3.2	1.7	0.5	1.1

1) Return on capital employed for 2016 was calculated pro-forma for continuing operations.
 2) Average number of employees is presented for continuing operations in 2017. Employee numbers in 2019 have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.
 3) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of its long-term share-based incentive plan. The table in Note 22 presents the movements in the contracts since 1 January 2020. The contract has been settled in the second quarter of 2021. During 1 till 9 November 2021 Cloetta purchased 1,590,629 treasury shares to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan.
 4) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

*) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Employees										
Average number of employees ²	2,599	2,653	2,629	2,458	2,467	2,115	2,583	2,533	2,472	2,579
Share data										
Earnings per share, SEK										
Basic ³	1.64	0.92	1.74	1.69	-0.34	-0.67	1.35	0.84	0.92	-0.26
Diluted ³	1.64	0.92	1.74	1.68	-0.34	-0.67	1.35	0.84	0.92	-0.26
<i>Earnings per share from continuing operations, SEK</i>										
Basic ³	1.64	0.92	1.74	1.69	0.83	1.21	1.35	0.84	0.92	-0.26
Diluted ³	1.64	0.92	1.74	1.68	0.83	1.21	1.35	0.84	0.92	-0.26
<i>Earnings per share from discontinued operation, SEK</i>										
Basic ³	-	-	-	-	-1.17	-1.88	-	-	-	-
Diluted ³	-	-	-	-	-1.17	-1.88	-	-	-	-
<i>Ordinary dividend per share, proposed, SEK⁴</i>	1.00	0.75	0.50 ⁴	1.00	0.75	0.75	0.50	-	-	-
Special dividend per share, SEK	-	-	-	-	0.75	-	-	-	-	-
Number of shares outstanding at end of period ³	287,028,670	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic) ³	287,480,924	286,590,993	286,578,395	286,492,413	286,320,464	286,193,024	286,290,840	286,987,990	288,010,947	276,132,021
Average number of shares (diluted) ³	287,518,726	286,805,203	286,724,049	286,650,070	286,492,178	286,447,465	286,561,607	287,092,780	288,026,408	276,132,021
Share-price at year-end, SEK	26.20	24.52	31.70	24.30	29.70	28.70	28.00	22.60	19.40	13.45
Exchange Rates										
EUR, average	10.1527	10.4880	10.5815	10.2543	9.6362	9.4700	9.3445	9.1051	8.6513	8.6958
EUR, end of period	10.2503	10.0343	10.4468	10.2274	9.8210	9.5804	9.1679	9.3829	8.8630	8.5750
NOK, average	0.9991	0.9757	1.0748	1.0672	1.0324	1.0200	1.0432	1.0882	1.1071	1.1643
NOK, end of period	1.0262	0.9584	1.0591	1.0294	0.9997	1.0548	0.9563	1.0439	1.0592	1.1667
GBP, average	11.8203	11.7868	12.0732	11.5917	10.9909	11.5480	12.8736	11.3118	10.1987	10.7429
GBP, end of period	12.1987	11.1613	12.2788	11.3992	11.0684	11.1673	12.4835	12.0340	10.6501	10.5215
DKK, average	1.3652	1.4070	1.4173	1.3760	1.2956	1.2721	1.2529	1.2215	1.1601	1.1682
DKK, end of period	1.3784	1.3485	1.3982	1.3698	1.3192	1.2888	1.2287	1.2604	1.1882	1.1495

1) Return on capital employed for 2016 was calculated pro-forma for continuing operations.
 2) Average number of employees is presented for continuing operations in 2017. Employee numbers in 2019 have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.
 3) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of its long-term share-based incentive plan. The table in Note 22 presents the movements in the contracts since 1 January 2020. The contract has been settled in the second quarter of 2021. During 1 till 9 November 2021 Cloetta purchased 1,590,629 treasury shares to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan.
 4) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

*) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Reconciliation of alternative performance measures

SEKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Items affecting comparability										
Acquisitions, integration and restructurings	-6	-53	-13	-38	-62	-43	-47	-85	-167	n/a
of which: impairment loss	-	-11	-	-	-9	-2	-	-	-	n/a
other non-current assets	-	-	-	-	-	-	-	-	-	n/a
Remeasurements of contingent considerations	-	-	-	21	5	-17	33	27	-	n/a
Remeasurements of assets held for sale	-	-	-	-	-	-	-5	-	-	n/a
Other items affecting comparability	-	-	-3	0	-20	-	-	3	-	n/a
Items affecting comparability	-6	-53	-16	-17	-77	-60	-19	-55	-167	-307
Corresponding line in the condensed consolidated profit and loss account:										
Net Sales	-	-	-	0	-	-	-4	-	-	n/a
Cost of goods sold	1	-19	2	3	-39	-15	-22	-51	-121	n/a
Other operating income	-	-	-	4	4	-	-	3	12	n/a
Selling expenses	-	-12	-6	-1	-6	-	-12	-7	-4	n/a
General and administrative expenses	-7	-22	-12	-23	-36	-45	19	-	-54	n/a
Total	-6	-53	-16	-17	-77	-60	-19	-55	-167	-307
Operating profit, adjusted¹										
Operating profit*	565	442	727	660	527	635	671	577	418	125
Minus: Items affecting comparability	-6	-53	-16	-17	-77	-60	-19	-55	-167	-307
Operating profit, adjusted*	571	495	743	677	604	695	690	632	585	432
Net sales	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859
Operating profit margin, adjusted, %*	9.4	8.7	11.4	10.9	10.4	13.6	12.2	11.9	12.0	8.9
EBITDA, adjusted¹										
Operating profit*	565	442	727	660	527	635	671	577	418	125
Minus: Depreciation*	-250	-270	-290	-218	-218	-206	-227	-198	-175	-167
Minus: Amortisation	-10	-10	-11	-12	-11	-5	-4	-3	-2	-1
Minus: Impairment loss other non-current assets	-1	-13	-2	-	-9	-2	-	-	-	-
EBITDA*	826	735	1,030	890	765	848	902	778	595	293
Minus: Items affecting comparability (excl. impairment loss goodwill and trade-marks and other non-current assets)	-6	-42	-16	-17	-68	-58	-19	-55	-167	-307
EBITDA, adjusted*	832	777	1,046	907	833	906	921	833	762	600

1) The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated.
2) Return on capital employed for 2017 has been calculated pro-forma for continuing operations.

*) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

SEKm	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Capital employed^{1,2}										
Total assets*	9,549	9,228	9,660	9,168	9,252	9,236	9,759	9,962	8,989	9,340
Minus: Deferred tax liability*	863	836	803	754	703	586	621	483	397	824
Minus: Other non-current liabilities	-	-	-	-	138	-	43	147	2	-
Minus: Non-current provisions	-	5	5	9	5	22	10	16	7	11
Minus: Current provisions	5	24	5	23	3	64	57	65	79	79
Minus: Trade and other payables	1,267	1,144	1,227	1,342	1,394	1,196	1,216	1,152	967	1,264
Minus: Current income tax liabilities*	26	21	44	13	30	39	55	58	99	97
Plus: Interest-bearing other current liabilities	-	-	-	-	-	-	-1	-	-	1
Capital employed*	7,388	7,198	7,576	7,027	6,979	7,329	7,756	8,041	7,438	7,066
Capital employed comparative period previous year	7,198	7,576	7,027	6,979	5,966	7,756	8,041	7,438	7,066	6,682
Average capital employed*	7,293	7,387	7,302	7,003	6,473	7,543	7,899	7,740	7,252	6,874
Return on capital employed^{1,2}										
Operating profit (rolling 12 months)*	565	442	727	660	527	635	671	577	418	125
Financial income (rolling 12 months)	9	3	2	5	7	17	6	4	24	5
Operating profit plus financial income (rolling 12 months)*	574	445	729	665	534	652	677	581	442	130
Average capital employed*	7,293	7,387	7,302	7,003	6,473	5,879	7,899	7,740	7,252	6,874
Return on capital employed, %*	7.9	6.0	10.0	9.5	8.2	11.1	8.6	7.5	6.1	1.9
Free cash flow yield¹										
Cash flow from operating activities (Rolling 12 months)*	858	641	724	628	712	889	927	500	131	330
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)*	-194	-275	-186	-184	-157	-170	-161	-182	-211	-269
Free cash flow (Rolling 12 months)	664	366	538	444	555	719	766	318	-80	61
Number of shares outstanding	287,028,670	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	2.31	1.27	1.86	1.54	1.92	2.49	2.65	1.10	-0.28	0.21
Market price per share, SEK	26.20	24.52	31.70	24.30	29.70	28.70	28.00	22.60	19.40	13.45
Free cash flow yield (Rolling 12 months), %	8.8	5.2	5.9	6.3	6.5	8.7	9.5	4.9	-1.4	1.6
Changes in net sales										
Net sales	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859
Net sales comparative period previous year	5,695	6,493	6,218	5,784	5,107	n/a	5,313	4,893	4,859	4,658
Net sales, change	351	-798	275	434	677	n/a	361	420	34	201
Minus: Structural changes	-	-	-	375	708	n/a	208	213	n/a	n/a
Minus: Changes in exchange rates	-125	-70	129	217	30	n/a	77	158	n/a	n/a
Organic growth	476	-728	146	-158	-61	n/a	76	49	n/a	n/a
Structural changes, %	-	-	-	6.5	13.9	n/a	3.9	4.4	n/a	n/a
Organic growth, %	8.4	-11.2	2.3	-2.8	-1.2	n/a	1.4	1.0	-1.0	-4.1

1) The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated.
2) Return on capital employed for 2017 has been calculated pro-forma for continuing operations.

*) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements. See Note 31 for further details.

Materiality and impact

Cloetta's overall sustainability mission is to contribute to a Sweeter Future by taking responsibility for our impacts, both positive and negative, on people, society and the environment. We combine this responsibility with a focus on creating value for our stakeholders which is fundamental to Cloetta's continued success and growth.

Materiality analysis

Cloetta reports the results of its sustainability work in accordance with the Global Reporting Initiative (GRI). One fundamental principle is to base our work on the most material issues. Material issues are topics that reflect Cloetta's significant economic, environmental and social impacts. Materiality is the point at which an issue is important for stakeholders and where Cloetta can have a real impact and create value.

The ranking of issues is conducted through the insights of internal experts with an understanding of stakeholder priorities, as well as feedback from employees, consumers, customers and the investor community. Each topic is assessed annually, and managed accordingly with support of the Group Management Team.

Two Code of Conducts

Cloetta's business activities and sustainability work are based on the Cloetta Code of Conduct. The Code of Conduct contains guidelines based on the UN's Global Compact with commitments regarding human rights, business ethics and anti-corruption, the company's assets, data security and environmental responsibility.

We are a Signatory of the UN Global Compact, we support the OECD Guidelines for Multinational Enterprises, and we apply the UN Guiding Principles on Business & Human Rights in our work to identify and remediate any negative impact on people that is a direct or indirect result of our operations.

These principles are the foundation for the Supplier Code of Conduct developed in 2020 and implemented during 2021.

It specifies our requirements as well as our ambitions when it comes to upholding human and labor rights, conducting ethical business and improving suppliers' performance in health & safety and environmental management.

Anti-corruption policy

Cloetta uses a number of policies that are based on our Code of Conduct, one of which is the anti-corruption and anti-bribery policy. The policy applies to all parties that represent Cloetta (including temporary staff, sub-contractors' staff and sales agents) and covers all business activities and relationships of the company in all markets. The anti-corruption policy describes the Cloetta's control principles and provides information about deviation reporting and penalties for non-compliance.

Cloetta's stakeholders

Cloetta's primary stakeholders are customers, consumers, employees, shareholders, suppliers and society. These groups are a necessary prerequisite for Cloetta's long-term profitability.

Cloetta has an open and ongoing dialogue, in particular with primary stakeholders, based on each group's expectations and requirements. Representatives of the primary stakeholders regularly contribute to Cloetta's materiality analysis.



Strategic components

Policy and prioritised areas

- Overall strategy
- Code of Conduct
- Supplier Code of Conduct
- Sustainability Agenda
- Responsible marketing

Goals and KPIs

- Overall financial targets
- Goals and KPIs for each part of Cloetta's sustainability agenda (in development)

Data

- See entire Annual and Sustainability Report

Management systems, programmes and certifications

- Perfect Factory for efficient manufacturing
- IFRS for financial reporting
- Cloetta's leadership platform
- BRC for food safety
- ISO 14001 for the environment
- Rainforest Alliance/ UTZ for cocoa
- RSPO for palm oil

External statutes or initiatives

- UN Global Compact
- Relevant ILO conventions
- EWC (European Works Council)

The risk of corruption is not deemed to be significant, but is monitored primarily due to Cloetta's extensive supply chain and rapid societal changes in Cloetta's markets.

Organisation

The Board of Directors and President and CEO are ultimately responsible for Cloetta's sustainability-related efforts and results. Cloetta's Group Management Team has been deeply involved in developing the new sustainability agenda during 2021 and for each of the different sustainability initiatives there is one executive sponsor from Cloetta's Group Management Team.

The CMO is also the director for Innovation and Sustainability, who together with the Global Marketing Director for Candy and Sustainability and Sustainability Affairs report on progress at monthly Group Management Team meetings, where sustainability is a standing item on the agenda. In addition, the company's different business function leaders are responsible for the implementation of the sustainability agenda within their part of the organisation. Environmental and occupational health and safety managers are in place at all Cloetta's factories, and report to the group Head of Health & Safety, Enviroment (HSE).

With the support of Sustainability Affairs, the Group Management Team is responsible for evaluating the effectiveness and relevance of the management approach to sustainability.

Whistleblower portal

Cloetta's whistleblower portal provides the opportunity to report suspected deviations from our Code of Conduct anonymously. All reports are treated confidentially. Personal data concerning breaches of law are handled only by key persons or individuals in management positions. In 2021, we had three cases, which were not deemed to be whistleblowing matters and were investigated and responded to locally.

Sustainability Policies & Procedures

- Monthly progress tracking at Management Team meeting
- Use of third-party certification schemes
- Cloetta's Code of Conduct
- Cloetta's Supplier Code of Conduct
- Executive directors' ownership of sustainability initiatives
- Discovery platforms for innovation
- BRC (British Retail Consortium Global Standard for Food Safety)
- GMP (Good Manufacturing Practices)
- Internal control policy
- HSE Policy and management systems

- Anti-bribery and Anti-corruption policy
- Whistleblower policy

Sustainability agenda

Responsibility and limitations
To increase Cloetta's positive footprint and reduce our negative impact, we analyse where impact occurs and where a difference can be made in the value chain. Our responsibility extends beyond our own operations and includes our ability to influence others in the value chain. By taking a value chain perspective, Cloetta can identify opportunities and risks, dedicate resources and report how we create value.

Commitments

From raw materials to cherished brands
Cloetta's sustainability work covers the entire value chain, from raw material to finished product. The company places high demands on its own business operations and those of suppliers.

Product content Cloetta is subject to several laws and regulations concerning food safety and quality. However, the company takes its responsibility further and aims to

be a forerunner in developing the content of its products. For example, NAFNAC (No Artificial Flavourings, No Artificial Colours) aims to offer a portfolio of products that contain no artificial flavourings or colourants.

Environmental impact Cloetta works systematically to minimise the environmental impact of its operations. Efforts are aimed at complying with applicable laws and rules and continuous improvement. Cloetta's foremost direct environmental impact arises through energy and water consumption, materials usage and waste and wastewater.

Supplier monitoring Cloetta's suppliers are approved and monitored against criteria for product safety, quality, health & safety and sustainability. A new and updated Supplier Code of Conduct was developed in 2020 and implemented during 2021.

Cloetta's sustainability report

Cloetta's sustainability report is issued by the Board of Directors, and is prepared in accordance with the GRI Standards: Core option. The sustainability report covers the entire business operations of the company,

unless otherwise stated. The content has been established based on Cloetta's materiality analysis, described on pages 136–139. The sustainability report consists of pages 2–4, 6–7, 9, 10–11, 20–33, 52–56, 61–63, 66, 136–142, which also includes the GRI Index. The index can be found on pages 140–142, and references to where different information is available. The sustainability report constitutes Cloetta's Communication on Progress to the UN Global Compact.

The sustainability report has been limited assured by PwC; see Auditor's report on page 143. The latest sustainability report was issued on 15 March 2021. Questions about Cloetta's sustainability report can be directed to: sustainability@cloetta.com.

Gathering data

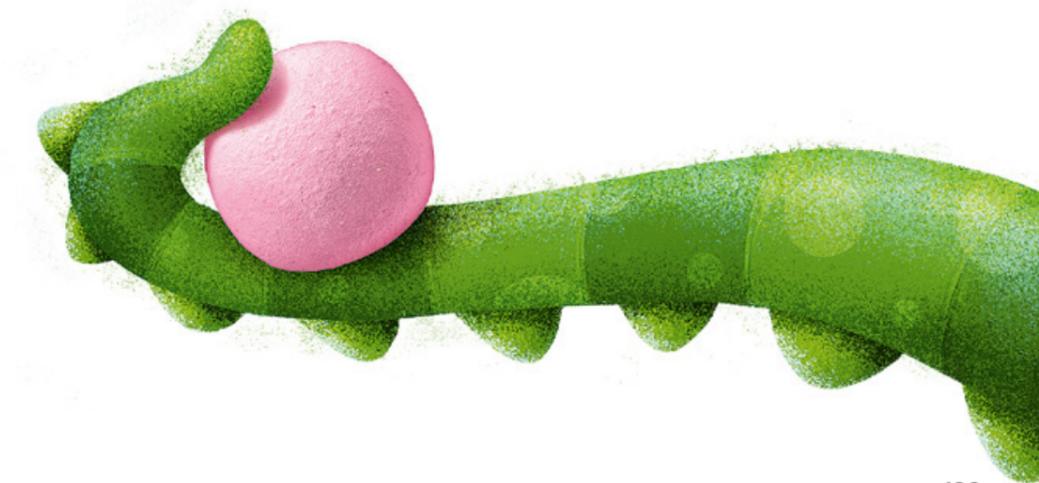
Environmental data is gathered through direct measurements as well as through specifications from suppliers that provide heat and electricity and handle waste management data. The waste data also contains obsolete material, which means that the numbers for 2020 and 2019 have been recalculated. Data is reported monthly from the factories and consolidated at a Group level. Cloetta uses the global Greenhouse Gas Protocol for calculating the majority of the company's CO₂ emissions. For 2021 we used a location-based method for calculations of CO₂ emissions, compared to previous year where a market-based method was used. The numbers for 2020 and 2019 have also been

recalculated. Conversion factors used are provided by our software tool supplier for sustainability data. In 2021, we finalised our data collection and compilation for our scope 3 emissions. Scope 3 emissions account for the majority of our total carbon footprint, which is why we will aim to obtain better data from our supply chain instead of working with generic open-source estimations.

Employee-related data comes from Cloetta's HR system. Work-related incidents and accidents are reported and followed up by each factory within the Group. Information is aggregated at a Group level.

Stakeholders' key sustainability issues

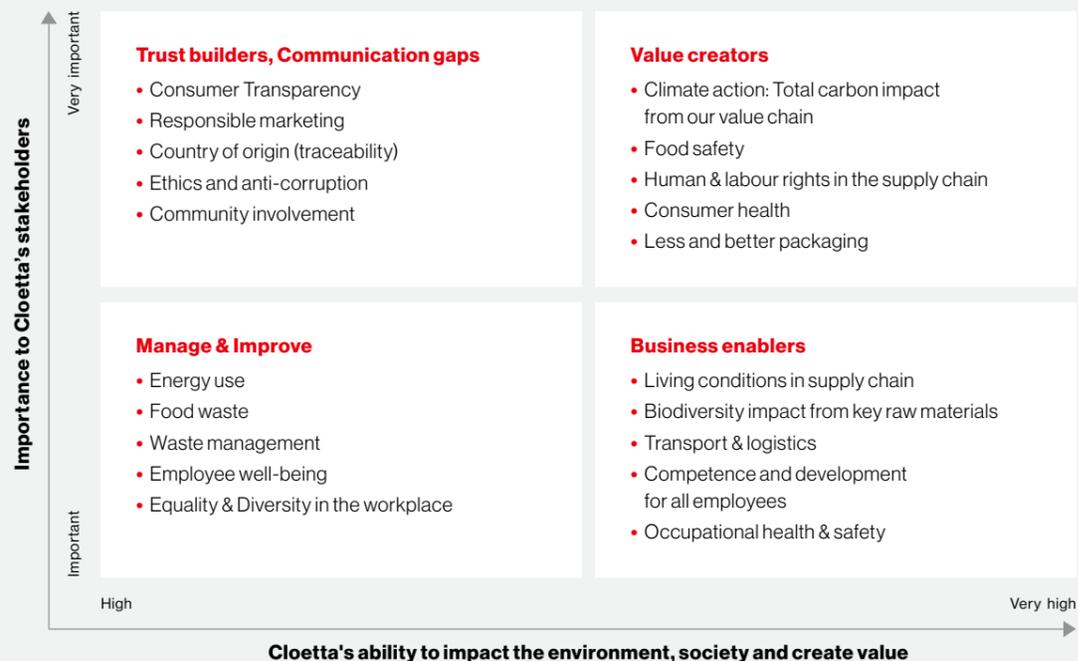
Stakeholder	Key issues – sustainability	Communication and cooperation
Customers and consumers	<ul style="list-style-type: none"> • Food safety and Consumer health • Climate action • Human & labour rights in the supply chain • Less and better packaging • Transport & Logistics 	<ul style="list-style-type: none"> • With consumers via annual surveys and via websites and social media • With customers through in-person (or online) customer and sales meetings three times per year, and via customer surveys and collaborative initiatives for eco-efficient transportation
Employees, Board & Management	<ul style="list-style-type: none"> • Competence development • Health & safety, employee well-being • Equality & diversity in the workplace • Ethics and anti-corruption • Climate action • Long-term, sustainable value growth 	<ul style="list-style-type: none"> • Daily meetings to discuss occupational health and safety in the factories • Annual performance reviews with all employees • Systematic skills development • Up-to-date information provided monthly, e.g. via managers, union representatives and Cloetta's intranet • Employee survey "Cloetta Engagement survey" every other year
Shareholders and investors	<ul style="list-style-type: none"> • Long-term, sustainable value growth • Transparency & Risk management • Ethics and anti-corruption • Climate action • Human & labour rights in the supply chain 	<ul style="list-style-type: none"> • Analyst and investor meetings • Interim reports • Annual general meeting • Annual and Sustainability Report • Cloetta's website
Suppliers	<ul style="list-style-type: none"> • Food safety • Climate action • Human & labour rights in the supply chain • Biodiversity impact from key raw materials • Ethics and anti-corruption • Less and better packaging • Transport & Logistics 	<ul style="list-style-type: none"> • Annual evaluation of suppliers' performance • Audits • Development projects • Collaborative projects for sustainability
Communities and the public	<ul style="list-style-type: none"> • Transparency • Community involvement • Climate action • Human & labour rights in the supply chain 	<ul style="list-style-type: none"> • Continuous contact with the local communities/ municipalities close to Cloetta's factories with regard to the local environment • Annual audits by certification bodies for ISO, BRC, RSPO and UTZ/RA • Continuous contact with key opinion leaders
Regulatory authorities	<ul style="list-style-type: none"> • Legal and regulatory compliance 	<ul style="list-style-type: none"> • Continuous contact with public authorities in areas related to workplace health and safety, environmental and product



Materiality & Governance

An issue is material to Cloetta when it meets our two materiality criteria: it needs to be important to our stakeholders (employees, customers, consumers, suppliers, investors, society) and in areas where we have the ability to make an impact and create value.

Materiality analysis



GRI Content Index

Disclosure	Scope, comment, and/or omissions	Page(s)
102-1	Name of the organisation	Front and back cover
102-2	Activities, brands, products and services	3, 12–13, 34–38
102-3	Location of headquarters	58
102-4	Location of operations	30, 34–38
102-5	Ownership and legal form	58–60
102-6	Markets served	12–13, 16–19, 34–38
102-7	Scale of the organisation	2–4, 32–33, 76, 78
102-8	Information on employees and other workers	25, 138
102-9	Supply chain	28, 32
102-10	Significant changes to the organisation and its supply chain	No significant changes to the organisation and its supply chain
102-11	Precautionary principle or approach	29
102-12	External initiatives	20, 22, 24–27, 137
102-13	Membership of associations	20, 30, 137
Strategy		
102-14	Statement from senior decision-maker	CEO statement 6–7
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	20–21, 22, 24, 28, 136–139
Governance		
102-18	Governance structure	58–63, 137
Stakeholder Engagement		
102-40	List of stakeholder groups	136, 139
102-41	Collective bargaining agreements	25
102-42	Identifying and selecting stakeholders	136–139
102-43	Approach to stakeholder engagement	136
102-44	Key topics and concerns raised	136, 139
Reporting practice		
102-45	Entities included in the consolidated financial statements	121
102-46	Defining report content and topic boundaries	20–21, 136–138
102-47	List of material topics	138–139
102-48	Restatements of information	9, 27, 113–114, 138
102-49	Changes in reporting	9, 27, 138 The calculation for energy consumption, waste and CO2 emissions have been updated compared to previous years and reported according to GHG protocol and GRI (baseline 2019).
102-50	Reporting period	January 1 2021–December 31 2021
102-51	Date of most recent report	15 March 2021
102-52	Reporting cycle	Calendar year
102-53	Contact point for questions regarding the report	138
102-54	Claims of reporting in accordance with the GRI Standards	138
102-55	GRI content index	140–142
102-56	External assurance	143

GRI 102: General Disclosures 2016

Performance indicators

Disclosure	Scope, comment, and/or omissions	Page(s)
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	20–21, 136–139
	103-2 The management approach and its components	8–9, 32–33, 58–63, 136–138
	103-3 Evaluation of the management approach	10–13, 51, 136–138
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	32–33
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	136–139
	103-2 The management approach and its components	24–25, 66–68, 136–138
	103-3 Evaluation of the management approach	136–138
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	137
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	20–21, 26–27, 136–139
	103-2 The management approach and its components	9, 21, 26–27, 136–138
	103-3 Evaluation of the management approach	26–27, 136–138
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	9, 27 Not all energy efficiency initiatives are stated but will be developed in the coming years' reporting
	302-3 Energy intensity	27
	302-4 Reduction of energy consumption	9, 27, 138 Specific savings on separate energy efficiency initiatives cannot be disclosed due to lack of such information.
Biodiversity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	20–21, 26–28, 136–139
	103-2 The management approach and its components	9, 14, 21, 26–29, 136–138
	103-3 Evaluation of the management approach	136–138
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	26, 28, 55, 137–138 Scope: Description of areas restored or protected, but omitting the specifics of size, species, etc.
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	20–21, 26–27, 136–139
	103-2 The management approach and its components	9, 21, 26–27, 29, 136–138
	103-3 Evaluation of the management approach	9, 27, 29, 136–138
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	9, 26–27, 138 The calculation for energy consumption, waste and CO2 emissions have been updated compared to previous years and reported according to GHG protocol and GRI (baseline 2019).
	305-2 Energy indirect (Scope 2) GHG emissions	9, 26–27, 138 See comment for 305-1.
	305-3 Other indirect (Scope 3) GHG emissions	9, 26–27, 138 See comment for 305-1.
	305-5 Reduction of GHG emissions	9, 27, 138
Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	20–21, 26–27, 29, 137–139
	103-2 The management approach and its components	9, 26–27, 29–30, 136–138
	103-3 Evaluation of the management approach	136–138
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	30, 138 Specific types of waste and management is developed in next year's report.
	306-2 Management of significant waste-related impacts	30, 138 See comment for 306-1
	306-3 Waste generated	9, 27

	Disclosure	Scope, comment, and/or omissions	Page(s)
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	20–21, 26, 28, 136–139
	103-2	The management approach and its components	9, 21, 26, 28, 136–138
	103-3	Evaluation of the management approach	28, 136–138
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	28
Occupational Health and Safety			
GRI 403: Management Approach 2018	403-1	Occupational health and safety management system	9, 25, 30
	403-2	Hazard identification, risk assessment, and incident investigation	24–25, 52, 55
	403-3	Occupational health services	25
	403-4	Worker participation, consultation, and communication on occupational health and safety	25
	403-5	Worker training on occupational health and safety	9, 25
	403-6	Promotion of worker health	25, 138
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	25
Own	Occupational injuries, lost days and absenteeism	Defined as LTIR: number of injuries causing at least 24 hours of absenteeism per million hours worked per year. Data refers to incidents and accidents at Cloetta's seven factories.	9, 25
Child Labour			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	20–21, 24–25, 28, 136–139
	103-2	The management approach and its components	9, 21, 24–25, 28, 136–138
	103-3	Evaluation of the management approach	136–138
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	28
Supplier Social Assessment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	20–21, 24–25, 28, 136–139
	103-2	The management approach and its components	9, 21, 24–25, 136–138
	103-3	Evaluation of the management approach	136–138
GRI 144: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	28
Customer Health and Safety			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	20–23, 138
	103-2	The management approach and its components	9, 21–23, 30, 136–138
	103-3	Evaluation of the management approach	9, 16–19, 30, 136–138
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	19, 22, 30
Marketing and Labelling			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	20–22, 25, 32, 138
	103-2	The management approach and its components	9, 21, 14–15, 136–138
	103-3	Evaluation of the management approach	136–138
GRI 417: Marketing and Labelling 2016	417-1	Requirements for product and service information and labelling	22–23, 30, 137

Auditor's Limited Assurance Report on Cloetta's Sustainability Report and statement on the Statutory Sustainability Report

This is a translation of the original report in Swedish

To the annual general meeting of Cloetta AB (publ), corporate identity number 556308-8144

Introduction

We have been engaged by the Board and Group Management of Cloetta AB (publ) ("Cloetta") to undertake a limited assurance of Cloetta's Sustainability Report for the year 2021. The company has defined the scope of the sustainability report on the inside cover of the annual and sustainability report. The statutory sustainability report is defined on page 137–138.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 137 of the Sustainability Report, and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Cloetta has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12,

the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Cloetta AB (publ) according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm 10 March 2022

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomsted
Authorised Public Accountant

Sara Höög
Authorised Public Accountant

Definitions

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.

	Definition/calculation	Purpose
Margins		
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This metric enables the profitability to be compared across locations where corporate taxes differ.
Return		
Free cash flow	Sum of the cash flow from operating activities and cash flow from investments in property, plant and equipment and intangible assets.	The free cash flow is the cash flow available to all investors consisting of shareholders and lenders.
Free cash flow yield	Free cash flow over the last 12 months divided by the number of shares at the end of the period and subsequently divided by the market price per share at the end of the period.	This metric is an indicator of the return on investment of investors in the company.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed by period end of the comparative period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit from continuing operations for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure		
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the company.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, lease liabilities, derivative financial instruments and interest payable.	Gross debt represents the total debt obligation of the company irrespective of its maturity.
Net debt	Gross debt less cash and cash equivalents.	The net debt is used as an indication of the ability to pay off all debts if these became due simultaneously on the day of calculation, using only available cash and cash equivalents.
Net debt/EBITDA	Net debt at the end of the period divided by the adjusted EBITDA for the last 12 months, taking into consideration the annualisation of EBITDA for acquired or divested companies.	The net debt/EBITDA ratio approximates the company's ability to decrease its debt. It represents the number of years it would take to pay back debt if net debt and EBITDA were held constant, ignoring the impact from cash flows from interest, tax and capital expenditure.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.	The net debt/equity ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, the leverage takes into account net debt instead of gross debt.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.
Data per share		
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings irrespective of the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.

	Definition/calculation	Purpose
Other definitions		
EBITDA	Operating profit before depreciation and amortisation.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortisation.	Adjusted EBITDA increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This metric enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are those significant items which are separately disclosed by virtue of their size or incidence, in order to enable a full understanding of the Group's financial performance. These include items such as restructurings, impact from acquisitions or divestments.	Items affecting comparability increases the comparability of the Group's financial performance.
Net financial items	The total of exchange differences on cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit (EBIT)	Operating profit consists of comprehensive income before net financial items and income tax.	This metric enables the profitability to be compared across locations where corporate taxes differ, irrespective of the financing structure of the company.
Operating profit (EBIT), adjusted	Operating profit, adjusted for items affecting comparability.	Adjusted EBIT increases the comparability of EBIT.
Organic growth	Net sales, change excluding acquisition-driven growth and changes in exchanges rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison of net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

Glossary

Branded packaged products	Products that are mainly sold under brands and are packaged.	Line extension	New packaging, sizes and flavours for an established brand.
Brand extension	Totally new products developed under an established brand.	Own brands (EMV)	Brands that retail trade customers sell under their own brands.
BRC Global Standards for Food Safety	A leading safety and quality certification programme. Many European and global retailers will only consider business with suppliers that have been certified according to the BRC Global Standard.	The Perfect Factory	The Perfect Factory is Cloetta's development programme aimed at improving engagement, reliability and resource-efficiency within manufacturing.
Contract manufacturing	Manufacturing of external brands, i.e. insourcing production of products from external parties.	Polyols	Sugar alcohols that resemble sugar and are used as sweeteners.
FVTPL	Fair Value Through Profit and Loss.	Pick & mix	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.
GRI Global Reporting Initiative	A network-based organisation whose founders include the UN. GRI has pioneered the development of a standard for the structure and content of sustainability reporting.	Pick & mix concept	Cloetta's complete concept in pick & mix including products, displays and accompanying store and logistic services.
ICC	International Chamber of Commerce.	RSPO	Roundtable for sustainable palm oil, certification and standard for the palm oil we purchase, 100% segregated.
ILO	International Labour Organization, United Nations agency dealing with labour issues.	UTZ	Certified standards for sustainable farming with a number of social and environmental criteria, now merged with Rainforest Alliance.
ISO 9001 and ISO 14001	International Organization for Standardization. ISO 9001 addresses quality management and ISO 14001 addresses environmental management.		

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 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 share-holding in Cloetta via the newly formed Svenska Chokladfabriks AB. The Svenfelt family has major ownership interests in Cloetta to this day.

Strong brands with long traditions



Cloetta's oldest brands date from the 1800s
Venco is launched in 1878 when Gerrit van Voornveld started manufacturing liquorice and peppermint pastilles in a steam factory in Amsterdam. Liquorice, peppermint and jujubes have long been known for their cough suppressing effects.



1900–1913, exploiting industrialisation
Electrification and railway construction accelerate the pace of industrialisation, 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 Guld nougat in 1913. Läkerol is also launched in Denmark in 1910 and Norway in 1912.



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. Kexchoklad is introduced in 1938 and Center in 1941. Plopp is launched after WWII in 1949.

1970–80s – fresh and healthy and a response to the growing pick & mix
In 1975, the world's first chewing gum with xylitol is launched by Jenkki in Finland. Sportlife is launched in the Netherlands in 1988. The Mynthon pastille is introduced in Finland in 1976. In Sweden, the mixed candy bag Gott & Blandat is launched in response to the growing popularity of pick & mix.



2000s – new groups formed
During the period from 2000 to 2009, Cloetta is part of the Cloetta Fazer group. After the de-merger 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 Diotor). In 2005 CVC and Nordic Capital acquire CSM's confectionery division and change its name to Leaf.

2020s – strong sustainability focus
Cloetta launches a new sustainability agenda covering topics all across the value chain where Cloetta has the ability to make an impact. This includes giving the consumers greater choice by introducing more vegan options, less sugar/no-sugar, lactose-free and new package sizes, as well as enriching the social impacts in our supply chain through our partnerships, and committing to the Science Based Targets initiative.



1800s

1900–1910

1920

1930–1940

1950–1960

1970–1980

1990s

2000s

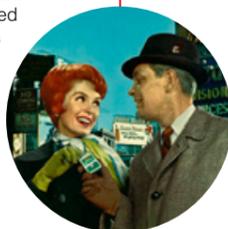
2010s

2020s



The roaring twenties
The confectionery industry grows after the war. The slogan "Choose right – choose Cloetta" is created in 1921. In the Netherlands, Lonka opens its first factory 1920 and the pastille brand King is launched in 1922. In 1928 Sisu is launched in Finland, Red Band in the Netherlands and Tarragona in Sweden.

1950–60s, an interest in the USA and cars
The chewing gum Jenkki (Yankee) is launched in Finland in 1951. Ahlgrens bilar – the world's best-selling car, is launched in 1953 with Italian Bugatti as its inspiration. The double countline Tupla is launched in Finland in 1960. In Sweden, Polly is launched in 1965 and Bridge-blandning in 1966. Chewits are launched in the United Kingdom in 1965. The first marshmallow Santas are also sold in the 1960s.



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.



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 with the main market in the UK. In 2015 Cloetta acquires Lonka, a Dutch company that produces and sells fudge, soft nougat and chocolate. In 2017, Cloetta acquires Candyking and becomes market leader in pick & mix. The Italian operations are divested.

Shareholder information

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Annual General Meeting

The Annual General Meeting of Cloetta AB (publ) will be held on Wednesday, 6 April 2022 as a postal voting procedure. There will be no physical attendance of shareholders, representatives or other persons. The Notice of the Annual General Meeting was published in March and is available on www.cloetta.com.

To order the Annual and Sustainability Report

The Annual and Sustainability Report is available in Swedish and English. The printed Annual and Sustainability Report can be ordered via the website. It can also be downloaded from www.cloetta.com.



Cloetta

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