ANNUAL REPORT 2013

Cloetta

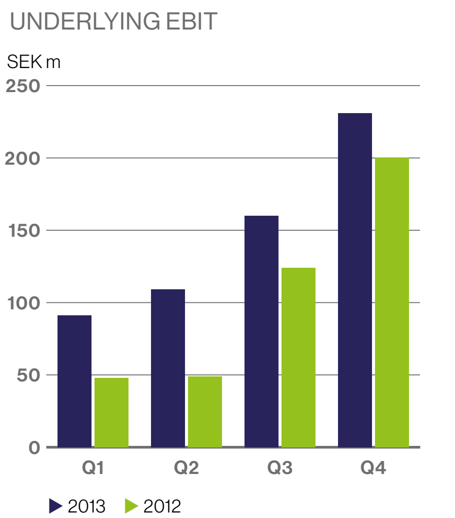
Contents

The administration report for Cloetta AB (publ) 556308-8144 and the financial statements consists of pages 64–145. The annual report is published in both Swedish and English, where the Swedish version is the original and has been audited by the auditors of Cloetta.

Highlights of 2013

Examples of new launches during the year

Ahlgrens bilar Fruktkombi A new car on an existing chassis with a body made of wine gum, (Sw). **Jenkki Tasty Cube Polkamint** New chewing gum with a taste of candy cane (Fi). **Red Band Sweet'n Pure** A sugar-free wine gum sweetened with stevia and fruit juice, (Nl). **Sportlife mints** Sportlife, now as mint pastilles, (Nl). **Sperlari Toscanini** one of the Christmas season's new filled nougat pralines, (It). **Tupla Shuffle Dark** Tupla wafers with dark chocolate (Fi). **Malaco bomber** Hard candies in small bags, (Sw). **Dietorelle** New products and design, now sweetened with stevia, (It). **Polly bilar** New Polly bag. Covered in Polly Milk chocolate with an inside of Ahlgrens bilar, (Sw). **Läkerol Hals** Functional throat lozenges in three different flavours, sweetened with stevia, (Sw). **Juleskum Knäck** The year's Juleskum with a taste of toffee, (Sw). **Hopea Toffee** A unique combination of salt liquorice and toffee, relaunched in Finland, (Fi).



In 2013 the focus has been on improving the underlying operating profit. This has been achieved primarily through an ongoing integration process and through factory restructurings.

Q1
- ▷ The factory in Aura, Finland, was closed. The factory in Alingsås was sold. The restructuring of warehouse operations in Scandinavia was completed.

Q2
- ▷ The candy producer FTF Sweets Ltd. which owns the brand Goody Good Stuff was acquired. Goody Good Stuff is vegetarian and free from artificial flavours and colours.

Q3
- ▷ Cloetta placed a five-year SEK 1,000m bond issue and renegotiated its bank facilities agreement to reduce its borrowing costs.
- ▷ The integration process was completed.

Q4
- ▷ An agreement was signed to acquire Alrifai Nutisal AB, a leading Swedish producer of dry roasted nuts. The acquisition was carried out in January 2014.
- ▷ No dividend is proposed for the year, in line with the Group's financial strategy where the focus is on reducing net debt to approximately 2.5 x EBITDA.

SEK M	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3	Q2	Q1
Net sales	4,893	1,441	1,194	1,131	1,127	4,859	1,404	1,159	1,212	1,084
EBIT margin, %	8.5	12.1	11.0	4.7	5.2	2.6	5.7	7.5	–4.4	0.5
Underlying EBIT[1]	591	231	160	109	91	423	201	124	51	47
Underlying EBIT margin, %[1]	12.0	16.1	13.3	9.6	8.1	8.7	14.6	10.7	4.4	4.1
Operating profit, (EBIT)	418	175	131	54	58	125	82	90	–53	6
Profit before tax	210	127	101	–67	49	–140	72	30	–130	–112
Profit for the period	264	186	86	–44	36	–73	155	13	–122	–119
Earnings per share, basic and diluted, SEK	0.92	0.65	0.30	–0.15	0.12	–0.26	0.54	0.05	–0.43	–0.57
Cash flow from operating activities	131	116	54	–23	–16	330	147	93	125	–35

1 Based on constant exchange rates and the current structure (i.e. excluding the distribution business in Belgium and the distribution agreement for a third-party brand in Italy) and excluding items affecting comparability. The comparison period includes the former Cloetta's financial history for better comparability.

For definitions, see page 152.

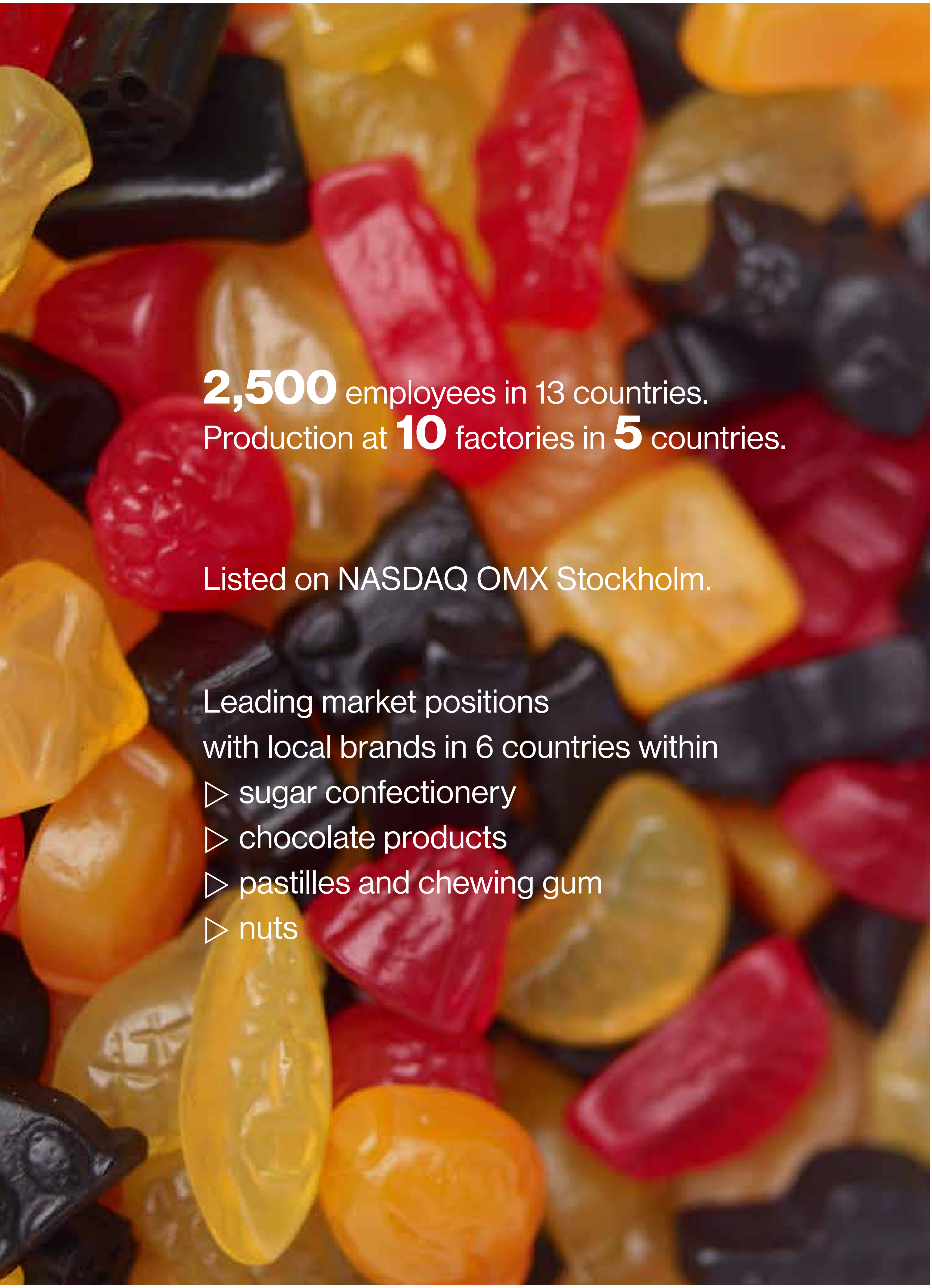
This is Cloetta

Founded by the three Cloetta brothers in **1862**.

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

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

Net sales of SEK **4,893**m.
Operating profit of SEK **418**m.



2,500 employees in 13 countries.
Production at **10** factories in **5** countries.

Listed on NASDAQ OMX Stockholm.

Leading market positions
with local brands in 6 countries within

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

Cloetta positioned for profitable growth

2013 was a year during which Cloetta's profit improved significantly. This was primarily driven by our restructuring programme, but it was also a year when we intensified our focus on profitable growth, both organic and acquisition-driven.

As I look back on 2013, I am proud of our achievements. We stuck to our plans and acted accordingly which resulted in increased underlying EBIT and operating profit (EBIT). The profit after tax for the full year was SEK 264m which is an improvement of SEK 337m compared to 2012. Consequently, we also increased the underlying EBIT margin to 12.0 per cent, which takes us towards our long-term target of 14.0 per cent. In addition, net debt decreased from 5.1 to 4.2 times underlying EBITDA. This demonstrates that Cloetta is on the right track.

MUNCHY MOMENTS PROVIDE CLEAR DIRECTION

During the year, Cloetta implemented the new vision and mission that were formulated at the end of 2012. The vision, "To be the most admired satisfier of Munchy Moments", and the mission, "To bring a smile to your Munchy Moments", provide a clear direction for Cloetta as a company. We intend to continue to strengthen the relationships consumers have with our strong brands, many of which date back to the 1800s with a powerful local heritage. Examples include Läkerol, Red Band, Sperlari, Kexchoklad, Jenkki, Malaco, Nutisal, but there are many more.

Cloetta also aspires to become a bigger part of our consumers' "Munchy Moments". In addition to providing sugar confectionery, pastilles, chewing gum and chocolate, Cloetta intends to offer consumers a wider range of alternatives for the “Munchy Moments” between the three main meals.

ACQUISITIONS STRENGTHEN OUR OFFERING IN MUNCHY MOMENTS

In line with our ambition to broaden the product offering within Munchy Moments, we have completed two acquisitions.

The acquisition of the UK-based brand Goody Good Stuff was a step in developing the product range within the growing market for natural candy.

Nutisal, which was acquired in January 2014, is the leader in dry roasted nuts in Sweden. The products are also sold in Norway, Denmark, Germany and the Benelux countries. With Nutisal, we can offer our consumers another Munchy Moment with an established brand in the growing nut market. Nuts is a category that is growing by 5–8 per cent annually in our main markets, which can be compared to 1–2 per cent growth for confectionery. The acquisition of Nutisal is a good example of how Cloetta can expand into a new category.

RESTRUCTURING PROCESS NEARING COMPLETION

The restructuring process that was initiated in 2012 is nearly completed. This includes the organisational merger between Cloetta and LEAF as well as the closure and relocation of three factories. The warehouse operation in Scandinavia has also been streamlined. The merger was operationally completed at the beginning of 2013 and the three factories were closed by year-end. The remaining parts are the up-scaling of production in the receiving factories and the insourcing of Tupla production into the factory in Ljungsbro. This means that the savings from the restructuring programme will be fully realised towards the end of 2014, which is according to the original plan.

COMMITMENT TO SUSTAINABILITY

One important aspect of Cloetta’s continued development is our commitment to ensuring that we are contributing to a sustainable future. Therefore, it is encouraging to see that our initiatives to reduce the company’s environmental impact are evolving in the right direction. A stronger focus on energy consumption and management of waste and emissions has contributed to improving all our environmental performance indicators compared to earlier years. We have also decided to UTZ-certify our entire range of chocolate products by only using cocoa produced by UTZ-certified growers. This means that we are contributing to giving West African growers an opportunity to develop sustainable cocoa farming. Furthermore, we support sustainable production of palm oil by purchasing so-called GreenPalm certificates. As it is our ambition to comply with international standards, our sustainability report is in accordance with the Global Reporting Initiatives (GRI) guidelines.

»It is my ambition to continue growing organically at least in pace with the market, at the same time that I see opportunities for additional acquisitions«

REFINANCING REDUCES BORROWING COSTS

During the year, we have renegotiated the Group’s existing credit facilities in connection with the placement of senior secured notes (bond), of SEK 1,000m. The renegotiated credit terms, in combination with the bond issue, will reduce the company’s borrowing costs over time, have extended the maturity structure of the debt portfolio, and increased our operational flexibility. The improved terms of the existing debt and the fact that the bond issue was oversubscribed clearly demonstrate Cloetta’s attraction as a potential investment in the capital market.

FOCUS ON PROFITABLE GROWTH

It is with great satisfaction that I look back on the past year. In addition to implementing a large number of initiatives related to the merger, factory closures and refinancing, we have gradually been able to focus our attention more on profitable growth. Our increased sales in the second half of 2013 and the acquisition of Nutisal demonstrate how Cloetta can grow both organically and through acquisitions. It is my ambition to continue to grow organically at least in line with the market, but I also see opportunities for additional acquisitions.

We know that we have many stakeholders who appreciate our brands and our work, but all that was accomplished in 2013 would not have been possible without the contributions made by everyone in the Cloetta organisation. Our values, Focus, Passion, Teamplay and Pride, provide an important foundation and corporate culture aimed at realising our long term ambitions. In 2013, Cloetta as an organisation proved its capability to live our corporate values, which makes me both proud of the past year and optimistic about the future. My deepest thank you to every member of the Cloetta team!

Stockholm, March 2014

Bengt Baron
President and CEO

Vision

To be the most admired satisfier of Munchy Moments

Mission

To bring a smile to your Munchy Moments

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

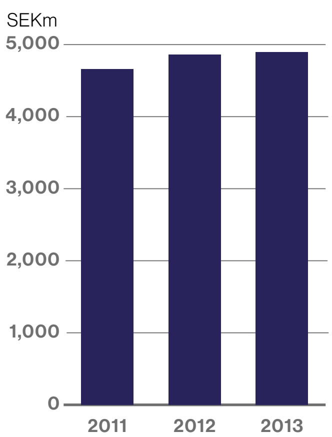
Long-term financial targets

Organic sales growth

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

Comments on the year's outcome
Historically, total annual growth in the markets where Cloetta is active has been around 1–2 per cent. Although Cloetta achieved sales growth of 1.5 per cent in the second half of 2013, weak sales development in the first half of the year meant that total underlying sales fell by 1.0 per cent for the full year 2013.

NET SALES

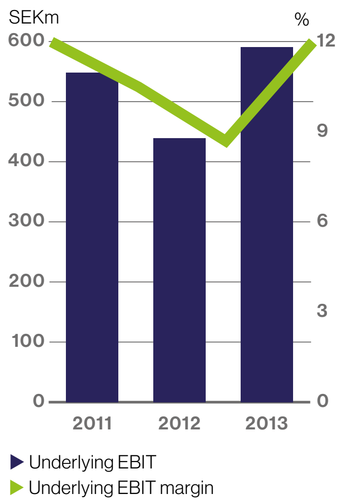


EBIT margin

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

Comments on the year's outcome
During the year the margin improved significantly as a result of the completed cost and efficiency synergies from the merger and the production restructuring. The underlying EBIT margin therefore strengthened from 8.7 per cent in 2012 to 12.0 per cent in 2013.

UNDERLYING EBIT AND MARGIN

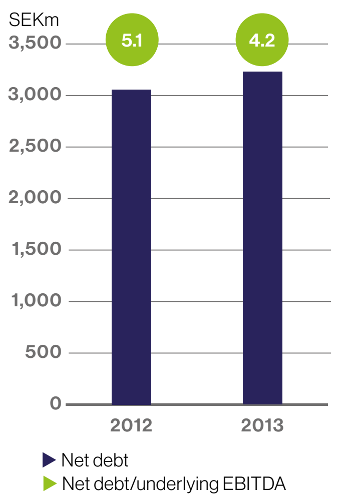


Net debt

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

Comments on the year's outcome
In the past year Cloetta has reduced its net debt despite major one-time restructuring costs.

NET DEBT/ UNDERLYING EBITA



Dividend policy

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

Comments on the year's outcome: The primary focus at present is on reinvesting the cash flow in order to reduce debt, but also to finance acquisitions.

Strategies and activities

Focus on margin expansion and volume growth

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

Main activities in 2013–2014

> Several strong, local brands have been expanded into new categories or concepts.
> Existing products, concepts and brands have been launched in additional markets.
> Several new products have been developed for launch over the next few years.
> The acquisitions of Goody Good Stuff and Nutisal.

Focus on cost-efficiency

> Realise synergies from the merger.
> Improve internal processes and systems.
> Improve cost-efficiency by closing factories and rationalising warehouse operations in Scandinavia.
> Increase breadth in production technology to create flexibility in product development.

Main activities in 2013–2014

> The merger has been implemented and completed.
> A group-wide ERP system have been or are in the process of being introduced in all of the Group's countries and units.
> From an operating perspective, the production restructuring was essentially completed when production at the factory in Gävle was discontinued at the end of 2013.
> Insourcing of third-party products has been carried out and the insourcing of Tupla is expected to be completed during 2014.
> Rationalisation of warehouse operations in Scandinavia has been completed.

Focus on employee development

> Create a uniform culture.
> Attract, develop and retain competent employees.
> Learn from each other.

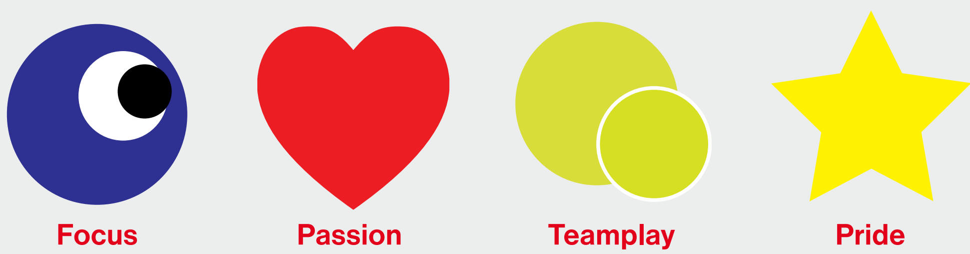
Main activities in 2013–2014

> The new organisation in Sweden is fully operational and coordinated.
> New vision, mission and values have been communicated through workshops with all employees in the Group.
> Employee survey conducted through Cloetta's participation in "Great Place to Work".

Value drivers

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

Core values



Cloetta's value chain

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

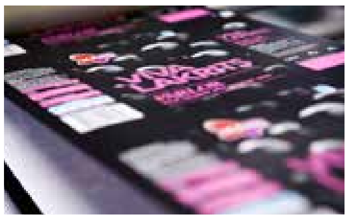
Value creation

Product development

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

Purchasing

> Cloetta's total purchasing amounted to SEK 3,221m, of which SEK 1,755m refers to raw materials and packaging.



Production

> Cloetta had 2,472 average number of employees during the year and the personnel expenses amounted to SEK 1,245m.

> Cloetta's 10 factories have 1,261 average number of employees.

> During the year, Cloetta produced 96,500 tonnes of confectionery and chewing gum.

Sustainable corporate responsibility

Product development

> A long-term programme, NAFNAC, (No Artificial Flavours, No Artificial Colours) is being conducted in order to offer a portfolio of products that contain no artificial flavours or colours. In 2013 Cloetta acquired Goody Good Stuff in line with this strategy. Read more on page 56.

Purchasing

> All suppliers to Cloetta's production are subject to an approval process in which both product safety and corporate responsibility are evaluated.

> Cloetta promotes sustainable production of raw materials such as cocoa and palm oil. Read more on page 44.

Production

ENVIRONMENT

> Development of more energy-efficient processes.

> Waste is sent to material recycling and energy recovery.

> Systematic environmental management in all production units.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

> A focus on personal safety.

> OHS activities with systematic monitoring and follow-up.

PRODUCT SAFETY

> Product safety system.

> A focus on measures to prevent serious product returns. Read more on pages 32–37.

Investments

Amortisation of loans

Customers

> Total net sales reached SEK 4,893m.

Consumers

> We satisfy **Munchy moments.**

> Feedback about complaints/returns and viewpoints.

Profit for the year, SEK 264m

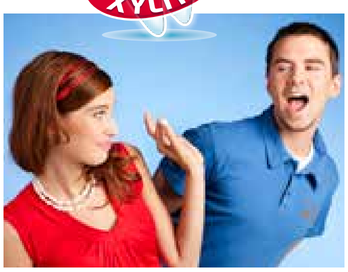
Customers

> In general, customers require BRC or ISO certification.

> Unnecessary transport packages are avoided and transports are optimised. All packaging can be pre-sorted.

Consumers

> High quality products that are marketed responsibly.



Cloetta's code of conduct is the basis for all relationships within and outside the company.

Alex Out riding with @Richard having a #Powerbreak

Strong brands

Cloetta's greatest asset is its extensive portfolio of strong brands that are well established in the consumer consciousness.

For confectionery, local ties and a long history are a success concept. Many consumers feel that they have a personal relationship with the brands they ate as children. Several of Cloetta's brands have traditions dating from the mid-1800s and early 1900s, and very strong local ties. Examples of these include Läkerol, Red Band, Sperlari and Kexchoklad are among the best know product brands in their respective markets.

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

MUNCHY MOMENTS

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

> Moments that create luxury in everyday life and provide pleasure and enjoyment, such as Ahlgrens bilar, Red Band and Sperlari.
> Energy between meals, such as Kexchoklad, Sportlunch and Nutisal.
> Health, such as xylitol chewing gum like Jenkki and XyliFresh.
> Sore throat or fresh breath, such as Läkerol and King.

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

BRAND BUILDING

Nurturing and developing brands is in constant focus for the entire company. Because the confectionery market is one of the most impulse-driven categories in the retail trade, strong brands are of vital importance in influencing spontaneous consumer choices.

Cloetta has long-standing experience of building and fostering brands in its markets. In a mature market where discount players and the retail trade's private labels are contributing to price pressure, strong brands are crucial for success and organic growth.

However, strong brands in themselves are no guarantee of volume growth. Building a brand means continuously vitalising the brand's personality in order to safeguard value growth by strengthening consumer loyalty and recruiting new consumers. In order for a brand to remain attractive and defend or advance its market position, the brand must be developed on an ongoing basis through product innovation and packaging development, and must be supported by effective marketing. Good availability and visibility in the retail trade are also important, for which reason cooperation with retailers and development of good packaging and ideas for how to display the brands are fundamental. In addition, visibility and activity online and in the social media are playing an increasingly central role in brand building.

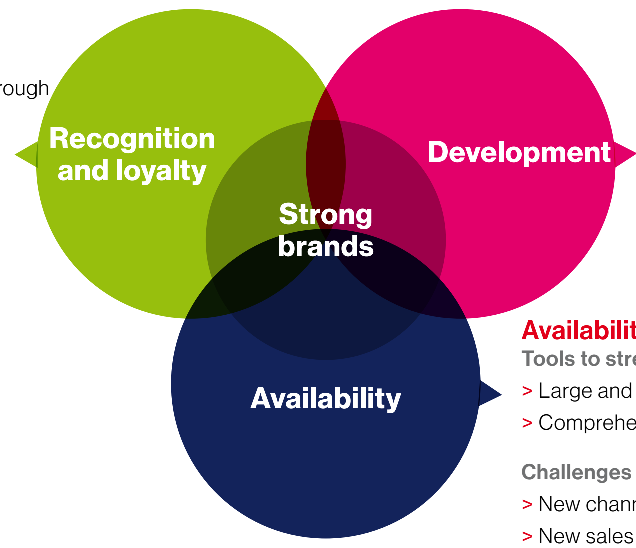
MARKETING

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

CLOETTA FURTHER DEVELOPS ITS BRANDS

Recognition and loyalty
Tools to strengthen
> Increase consumer awareness through advertising, PR and sponsorship.

Challenges
> Continue to improve use of the social media.
> Be visible where consumers are found in a relevant manner.



Development
Tools to strengthen
> Product development/innovation.
> Packaging development.

Challenges
> Coordination of development between markets and brands.

Availability
Tools to strengthen
> Large and competent sales force.
> Comprehensive product range in the stores.

Challenges
> New channels to reach consumers.
> New sales solutions that are adapted to different customer categories.

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

During the year, Cloetta has to a greater extent that earlier used the social media to increase consumer loyalty to the brands but also to promote interaction with consumers, see example on page 26.

COOPERATION WITH THE TRADE

For confectionery, where the buying decision is most often made at the point of sale, availability and visibility are critical. An active and competent sales force that works closely with its customers in the various sales channels creates added value for both the retail trade and for Cloetta.

Cloetta can offer a wide product range consisting of sugar and chocolate confectionery, pastilles, chewing gum, and as of 2014 also nuts, which is an advantage for retailers. Cloetta has a very strong sales organisation in its main markets and will continue to be an innovative and tone-setting player.

MEASUREMENT TOOLS

One important aspect of marketing activities consists of monitoring and analysing changes in consumption patterns. In-depth knowledge about consumers and trends is vital for effective product development and marketing.

Marketing activities are targeted and followed up via two tools: DSI (Digital: Sentiment Index) is a metric that summarises the brands' online presence and NPS (Net Promotor Score) continuously measures different aspects of the customer and consumer experience linked to profitability, loyalty and recommendation. The purpose of these tools is to quickly monitor the success of individual activities in the various markets. Thanks to DSI and NPS measurements, in 2013 it was possible to see how marketing initiatives, both traditional and non-traditional, such as activities in the social media for various brands, have contributed to improving both the image of and loyalty to these brands.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

To prevent infringement of its intellectual property rights, Cloetta uses a special monitoring service and is alerted about applications for registration of brands, both nationally and internationally, that are identical or confusingly similar to Cloetta's key brands.

For example, Kexchoklad has had a design patent for many years and the name Kexchoklad has had brand protection since 2007.

6 distinct consumer trends

Genuine raw materials

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

Treating ourselves

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

On-the-go

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

Responsibility for the environment and working conditions

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

UTZ Certified cocoa

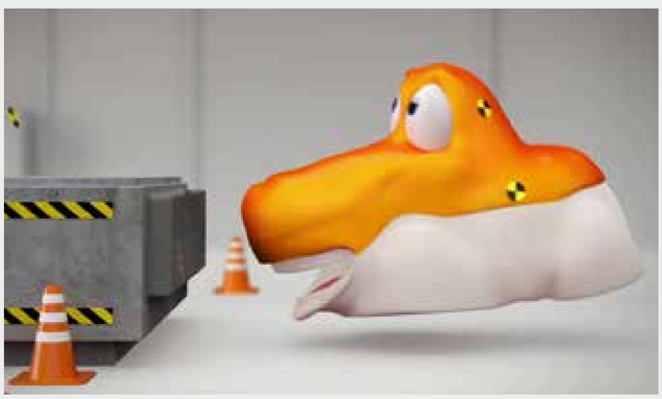
GreenPalm SUSTAINABILITY

Health and functional confectionery/snacks

People are increasingly seeking raw materials with positive health effects. Cocoa, xylitol and nuts are good examples. In January 2014 Cloetta acquired Nutisal, which offers a wide range of different nuts, which are among things rich in vitamins and minerals. Read more on page 17.

Social media increasingly important

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



Product development

One of Cloetta's foremost competitive advantages is the ability to further develop its brands by presenting attractive new products under existing brands.

Product innovations are one of the confectionery industry's key drivers and strengthen Cloetta's offering to both customers and consumers.

PRODUCT INNOVATIONS DECISIVE FOR VALUE GROWTH

Today, new products account for a large share of value growth in the confectionery market. Since confectionery is impulse-driven, an exciting product innovation is mainly aimed at sparking consumer interest in the brand. If the new product is successful, this leads to purchasing of the product and often also the original product, which means that good innovations normally generate increased sales.

One important success factor in the confectionery market is therefore to regularly launch new and interesting products in segments where consumer demand is found, and to develop and modernise existing products. By continuously enhancing the product range and brands, Cloetta strengthens its competitiveness.

INNOVATION AND TRENDS

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

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

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

Natural ingredients and sustainability are other factors that are affecting the confectionery market to a growing extent. Cloetta has a project aimed at systematically reviewing all products and questioning artificial colours and flavours. As a result of this, sweeteners and fruit flavourings have been replaced with stevia and fruit juice in Dietorelle. Stevia is also used in sugar-free Läkerol. The acquisition of the brand Goody Good Stuff is a natural step in this process. Read more on page 56.

There is also a distinct trend towards treating ourselves to something special every now and then. We eat confectionery to add

THE PATH TO A NEW PRODUCT

Market – consumer-driven

Product development – innovation

Target group ▶
- Who?
- Why?
- When?
- What?

Consumer ▶
- Needs
- Preferences
- Ideas
- Feeling

Idea – concept ▶
- Evaluation
- Market survey

◀ Product solution
- Product development
- Packaging
- Packaging solution

◀ Technical solutions
- Function in existing production lines.
- Exchange between the factories.
- Third-party production

◀ Trends
- Collection of internal and external data
- Cooperation
- Technical development

some luxury to everyday life and give ourselves a treat.

BRAND DEVELOPMENT

Over the years, Cloetta has carried out several very successful brand developments by using new sizes and flavours, so called line extension, for example under the Ahlgrens bilar and Kexchoklad brands. Another example of brand development is when whole new products and designs are developed under an existing brand, so-called brand extension, such as Sisu chewing gum or Sportlife Mint. The relaunch of brands, like Hopea Toffee or TOY, has been well received by consumers.

In 2013 Cloetta was highly successful with an example of cross-branding, Polly bilar, i.e. a combination of Ahlgrens bilar and Polly, which was one of the Group's best-selling new products during the autumn.

LAUNCH IN NEW MARKETS

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

A whole new brand is launched only as an exception, since this typically requires major marketing efforts.

PRODUCT DEVELOPMENT PROCESS

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

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

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

A FOCUS ON FLAVOUR

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

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

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

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

PACKAGE DEVELOPMENT

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

With the right packaging, many brands that are strong in one market can also secure a good position in new markets. The important factors here are details like package size and weight.

Package development also includes retail packaging.

ATTRACTIVE TO THE TRADE

Aside from tasting good and being reasonably priced for consumers, a new product has to be commercially attractive to the retail trade. Packaging and distribution are adapted to the respective sales channels and markets.

In addition, a new product is normally supported by various in-store promotional activities.

Brand and category development

Cloetta has strong brands in four categories; sugar confectionery, chocolate, pastilles and chewing gum. As of 2014, Cloetta's range also includes nuts. Cloetta works continuously to find new areas where there is consumer demand but where Cloetta has no products or brands. By launching existing brands in whole new categories or by using existing brands in new products within the same category, Cloetta can broaden its offering. In addition, old brands can be relaunched while at the same time satisfying demand for new flavours, sizes or packages.

New product, existing brand and new category

Tupla, from countline to mini waffle.

Sportlife Mint, from chewing gum to mint pastille.

Sisu chewing gum, from pastille to chewing gum.

New combinations of existing brand and partly new product

Polly bilar, a combination of flavours from two brands.

New market, existing brand and existing product

Chewits have been launched in Italy, which is a new market.

New combinations of existing brands and existing product

Viva Lakrits, a new liquorice series under the Malaco brand, using existing products in the Dutch market.

New product, new brand and new production through acquisition

Goody Good Stuff, acquisition of brand.

Acquisition of Nutisal

In January 2014 Cloetta acquired Nutisal, a leading Swedish producer of dry roasted nuts. The acquisition is in line with Cloetta's strategy to broaden its product portfolio within Munchy Moments.

Following the acquisition of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB), Cloetta has now entered a whole new category. Nutisal is an established brand in the growing nuts market. Through the combination of Cloetta's strong distribution network and good market growth in the category, the acquisition is assessed to provide additional sales growth at the group level of around 1 per cent over the next few years.

SALES THROUGHOUT MUCH OF EUROPE

Nutisal produces and sells dry roasted nuts under its own brand, primarily in the branded bags segment. The company was established in 2007 and has annual sales of approximately SEK 200m and around 60 employees.

At present, the Swedish market accounts for around half of sales, but Nutisal is also sold in Denmark, Norway, Germany and the Benelux countries. Nutisal holds the number two position in the branded nuts market in Sweden and is distributed mainly through its own sales force in Sweden and through distributors in the other markets.

CONTROL OVER THE ENTIRE VALUE CHAIN

Through tight control from start to finish, i.e. purchasing of high quality raw materials and use of unique knowledge and technology in dry roasting to enhance the natural flavours of the nuts, a special crispiness is created. Production, i.e. dry roasting, season and packaging, takes place at the factory in Helsingborg, Sweden.

Facts about nuts

Cashew nuts – rich in iron, folic acid and zinc.

Almonds – are not nuts but seeds, rich in Vitamin E and beneficial to the immune system. Almonds are easy on the stomach and are said to aid digestion.

Peanuts – are not nuts but seeds. Contain the most protein of all "nuts". Also contain high levels of niacin, i.e. Vitamin B3.

Pecan nuts – the brown inner shell contains high levels of antioxidants. Also contain selenium. Consist of 63% unsaturated fat.

Brazil nuts – contain the antioxidant selenium, which can help to protect from premature aging and cardiovascular disease.

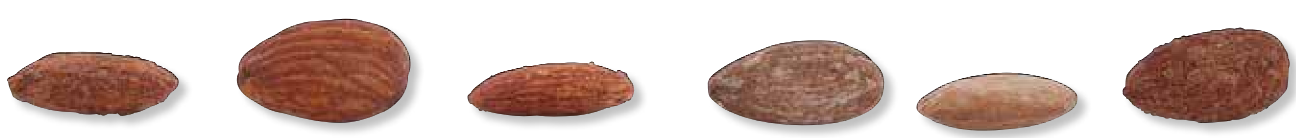
Walnuts – contain omega 3, which is beneficial to the cardiovascular system. Walnuts are also regarded as having anti-inflammatory properties.

Hazelnuts – the brown inner shell contains high levels of Vitamin E-rich antioxidants. Also contain potassium and magnesium.

Pistachio nuts – rich in antioxidants, as reflected by their green colouring. Are also said to have good cardiovascular effects and the ability to lower cholesterol levels.

Macadamia – the world's most expensive nut and the highest in fat. Contain high levels of palmitoleic acid, which is beneficial for the mucous membranes and skin. Toxic to dogs.

Pine nuts – grow on pine cones. Pine nuts contain protein and healthy mono- and polyunsaturated fats. Eat them fresh!



Cloetta's leading brands

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

AHLGRENS BILAR

Sweden's best-selling car is a fruit-flavoured foam that has been enjoyed by a large majority of the Swedish population. Their unique taste and elegant design – shared with the little Italian sports car Bugatti – have been unchanged since 1953. New car models have been launched since then, in flavours such as salt liquorice, milk chocolate and sweet & sour.

Sold in: Sweden, Norway, Denmark and Finland.

BRIDGE

is a candy mix that was created in 1966 when some employees were playing bridge and ate a mixture of different tasty products that were made at the factory. Someone came up with the idea of launching the mix of ten delicious flavours in a bag. Bridge is a classic candy experience where everyone can find their favourite.

Sold in: Sweden, Norway and Denmark.

CENTER

has been around since 1941 when the roll was first launched. The roll is the soul of the brand – just unroll a piece and enjoy! The original version is a delicious blend of milk chocolate and a soft and creamy caramel filling. Center is also available as small and large countlines.

Sold in: Sweden, Norway, Denmark and Finland.

CHEWITS

was first launched in the United Kingdom in 1965 and is a soft fruit toffee in practical small packages. Chewie the Chewitsaurus is the brand character with a message for all of us, both children and adults, to unleash the taste of adventure in life.

Sold in: the United Kingdom, the Baltics and Russia, Albania, Austria and since 2013 in Italy and Finland.

DIETOR

has been synonymous with sweeteners in the Italian market since 1979. Dietor is available as a powder, in liquid form, as tablets and with stevia-based products.

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

DIETORELLE

was launched in 1977 and has a leading position in the Italian market for sugar-free confectionery. The brand, an explosion of taste, stands for flavour, fun and colour and is a natural choice for many. During the year the brand has been repositioned with both new products containing stevia, a new design and new marketing.

Sold in: Italy, Switzerland, Spain, the Czech Republic, Malta, Cyprus, South Africa, Albania, Venezuela, Lebanon, Finland and Israel.

GALATINE

is a hard pastille that consists of up to around 80 per cent milk and was launched in 1970. Galatine is today the single most sold candy in Italy, with a high level of confidence among parents and a strong appeal to children.

The Galatine family also includes Choco for an adult target group, an indulgent chocolate-coated pastille with a unique flavour.

Sold in: Italy, Hong Kong, Germany and Singapore.

GOODY GOOD STUFF

was launched in the UK in 2010 and is all all-new new natural gummy candy range that is made with a plant-derived bio-gum technology, which eliminates the need for animal-based gelatin, which is used in most traditional gummy sweets. In addition, all artificial colours and flavours have been removed and replaced with natural fruit juices and plant extracts.

Sold in: the United Kingdom and the USA.

JENKKI

is the leading chewing gum in Finland by a wide margin and was introduced on the Finnish market in 1951. In 1975 Jenkki launched the world's first xylitol-sweetened chewing gum. Jenkki Professional is sweetened with 100% xylitol, which means that the product has been granted EU approval to make health claims. Jenkki is available in several flavours and packages.

Sold in: Finland and Estonia.

JULESKUM

is the original that has become a Swedish Christmas tradition. Cloetta started making marshmallow Santas as early as the 1930s, but the real predecessor to today's Juleskum was not introduced until the 1960s. The year's new flavour was toffee. A total of more than 1,000 tonnes of Juleskum are sold in Sweden over a period of around two months. Juleskum Original is a fluffy, two-coloured marshmallow Santa with a taste of strawberry.

Sold in: Sweden, Norway and Denmark.

KEXCHOKLAD

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

Sold in: Sweden and Denmark.

KING

was founded in the Netherlands in 1922, but the de Vries family began producing different types of tablets with peppermint as early as 1902. Over time, the brand has evolved from a simple throat lozenge to a modern breath freshener. Around 99% of the Dutch population is familiar with the brand.

Sold in: the Netherlands, Belgium, Canada, the USA, Singapore, Hong Kong and the Baltics.

LÄKEROL

is a classic brand that offers a complete product family of throat lozenges. The first box was sold in 1909. Läkerol makes people talk. The brand offers a flavour for everyone and a large number of packaging types and sizes. Läkerol is the market-leader in the Nordic region.

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

LÄKEROL DENTS

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

Sold in: Finland.

PLOPP

a tiny Swedish treat, is a milk chocolate bar filled with soft toffee, when you want to give yourself a moment of pleasure. Originally introduced in 1949, Plopp is personified by the little mini bar that stands for nostalgia, fun and playfulness.

Sold in: Sweden.

POLLY

was launched in 1965 and is the leading brand of bagged chocolate on the Swedish market. More than 7 of 10 Swedes consume Polly. It's impossible to eat just one. Polly is a chocolate-coated flavoured foam drop. The original is flavoured with vanilla and arrack, but today there are a number of new favourites such as Polly Rocks and Polly Bilar; a fusion between Ahlgrens bilar and Polly.

Sold in: Sweden and Finland.

MALACO

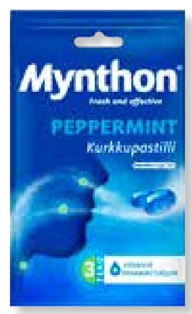
offers a wide variety of sugar confectionery products. The name Malaco comes from the first letters in the company name Malmö Lakrits Compani, which was founded in 1934. Over the years, many new products have been launched under the brand, such as Gott & blandat, TV MIX, Aakkoset (alphabet in Finnish),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

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

MYNTHON

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

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



NUTISAL

is the Group's nut expert as of 2014. The business started in a shop in Beirut in 1948. The brand offers various nut mixes in different series for example Gourmet, Enjoy and Goda Nötter. Nutisal have modernised a 500-year old knowledge of how to roast nuts and season them according to preference and taste.

Sold in: Sweden, Denmark, Norway, Germany, Finland and the Benelux countries.

RED BAND

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

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

SAILA

was launched in Italy in 1937 and is now one of Italy's best known and leading brands of pastilles. Today Saila also is available as a chewing gum. After becoming part of Cloetta's portfolio in 2007, Saila has emerged as a star in the large market for pastilles and chewing gum by consistently delivering successful innovations. Saila's slogan is uniquely essential refreshment.

Sold in: Italy, Bulgaria, Malta, Albania, Germany and Venezuela.

SPERLARI

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

Sold in: Italy, France, Germany, Switzerland, the United Kingdom, Malta, Albania, Canada, the USA, Australia, Venezuela, Lebanon, Romania, Slovenia and South Africa.

SPORTLIFE

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

Sold in: the Netherlands and Belgium.

SPORTLUNCH

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

Sold in: Sweden and Norway.

SISU

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

Sold in: Finland.

TUPLA

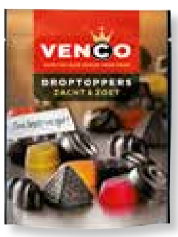
was launched in 1960 and is the number one chocolate countline in Finland. Tupla original consists of delicious pieces of chewy cocoa nougat and roasted almonds covered with milk chocolate. Tupla means "double" and the original contains two pieces that are filled with energy and easy to share. Why settle for a Tupla (double)? Tupla is now available in several flavours and sizes. The newest addition, Tupla Shuffle, is a real "waffle" packaged in bags.

Sold in: Finland, the Baltics and Russia.

VENCO

was launched as early as 1878 and is the leading liquorice brand in the Netherlands. Venco's slogan is "Passie voor Drop" and Venco truly has a passion for liquorice. Venco has a wide range of liquorice, i.e. sweet, salty, hard, soft and chewy. There are simple, sugared and sugar-free pastilles, hard candies and jellies in many different shapes and packages.

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



XYLIFRESH

was launched in the Netherlands in 1998 and is positioned as a dental chewing gum with 100% xylitol. XyliFresh is the best dental gum in the Netherlands, according to an official statement from the EFSA (European Food Safety Authority) and is the brand of dental chewing gum with the highest recognition and credibility among consumers.

Sold in: the Netherlands.

The confectionery market

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

Cloetta's main markets are Sweden, Italy, Finland, the Netherlands, Norway and Denmark. In addition, Cloetta's products are sold and marketed in some 40 other markets. The total market for confectionery in Cloetta's main markets amounts to approximately SEK 85 billion. The markets where Cloetta is active account for around 67 per cent of Western Europe's total confectionery consumption.

MATURE MARKET

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

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

In terms of value, sugar confectionery accounts for around 25 per cent, chocolate confectionery for around 55 per cent and pastilles and chewing gum for around 20 per cent of the total market in Cloetta's home markets.

COMPETITIVE MARKET

The global market for confectionery is dominated by international companies like Haribo, Lindt & Sprüngli, Nestlé, Mars/Wrigley, Mondelez (former Kraft Foods), Perfetti and Ferrero, but in the local markets these meet tough opposition from players with locally established brands such as Cloetta, Fazer, Orkla and Toms. No player has a strong position in all European markets.

Consolidation of the confectionery industry is taking place gradually, which is reflected in Perfetti's acquisition of Van Melle in the Netherlands in 2001, Orkla's acquisition of Finnish Panda in 2005, the merger between Mars and Wrigley in 2008 and Mondelez's (former Kraft Foods) acquisition of UK-based Cadbury in 2010. The industry as such has a long history and the rate of technological change is low.

THE NUT MARKET

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

CLOETTA'S SALES CHANNELS

Grocery trade

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

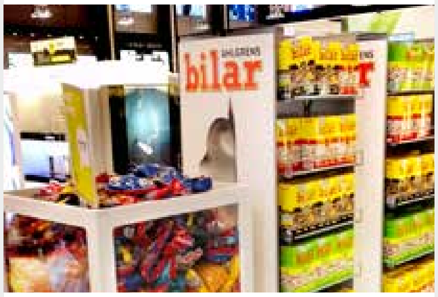
Coop, REMA 1000, JUMBO supermarkten, ESSELUNGA, KESKO, ICA, S MARKET, SPAR, ah, Carrefour

Service trade

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

7-ELEVEN, MIX, STATOIL, OK Q8, Shell, Pressbyrån, R kioski

Other sales channels



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

swedavia SWEDISH AIRPORTS, VIKING LINE, AUTOGRILL, SF BIO, SJ, bennet, JULA, K-RAUTA

CONSUMPTION PATTERNS

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

Consumption patterns and taste preferences vary between the different markets, and compared to the rest of Europe, for example, the Nordic region has lower per capita consumption of chocolate but significantly higher consumption of sugar confectionery than the rest of Europe. Another example is the pick-and-mix category, which has a very strong position in the Nordic countries and accounts for a high share of total confectionery consumption, while consumption of pick-and-mix is considerably lower in Central Europe where packaged sugar confectionery and chocolate have a stronger position.

A more individualistic attitude among consumers is boosting demand for a high-energy snack between meals on when they're on the run, which has led to growing demand for confectionery but also a wide range of competing snack products.

TRADITIONAL SALES CHANNELS

Cloetta's foremost sales channels are the grocery retail trade and the service trade. The grocery retail trade has undergone extensive consolidation and restructuring in the past ten years, when the number of stores has decreased at the same time that floor space per store has grown larger. Concentration in the grocery trade is high in the majority of European markets. This concentration of the grocery retail trade means that the channel can place high demands on its suppliers while at the same time Cloetta as a leading supplier has the possibility to a more efficient co-operation. Strong brands and products with high quality being attractively priced, displayed marketed in an effective manner is therefore of great importance.

A large share of everyday consumption of confectionery has traditionally been via the service trade, i.e. filling stations, service and convenience stores, kiosks, etc. Over the past decade, the service trade has decreased, primarily due to fewer filling stations, but also through the development of an increasing number of its own snack alternatives.

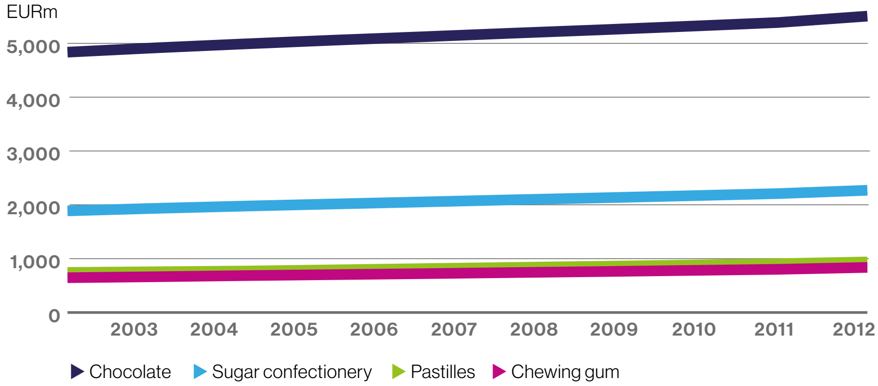
NEW SALES CHANNELS

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

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

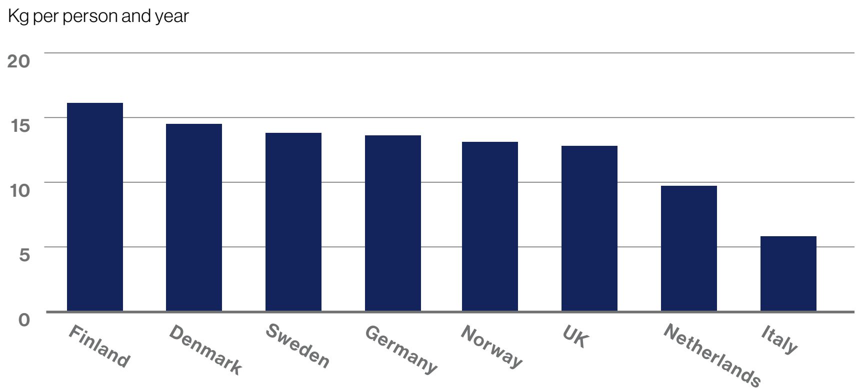
One important success factor is to develop different types of packaging solutions to help customers in the different channels display the products.

MARKET DEVELOPMENT in Cloetta's main markets[1]



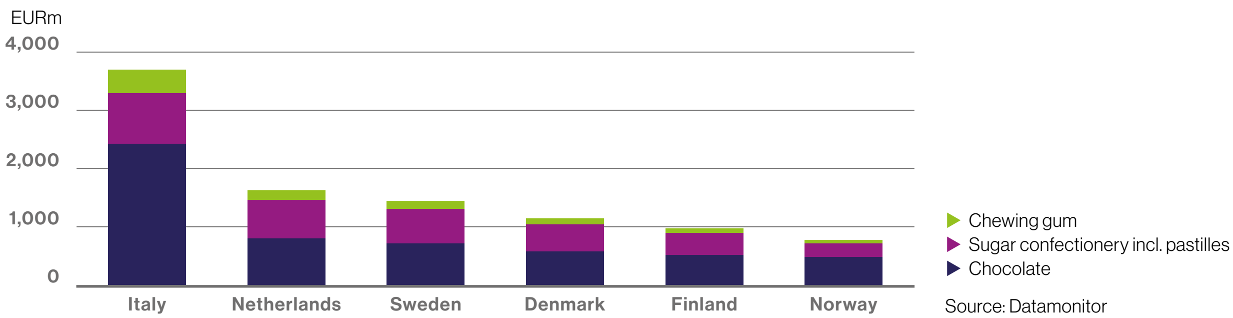
1) Including Sweden, Finland, Norway, Denmark, Italy and the Netherlands. Source: Datamonitor

PER CAPITA CONSUMPTION of confectionery in 2012



The graph refers to sugar confectionery, chocolate confectionery, pastilles and chewing gum in countries where Cloetta is active. Source: Datamonitor

MARKET SIZE by region, Cloetta's main markets



Source: Datamonitor

Cloetta's markets

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

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

Cloetta's total sales in 2013 amounted to SEK 4.9 billion (4.9), where Sweden was the largest single market and accounted for approximately 33 per cent of total sales. The other Nordic countries accounted for around 27 per cent, Italy for around 15 per cent the Netherlands for around 13 per cent and other markets for around 12 per cent of total sales.

Compared to 2012, sales development was unfavourable in the first half of the year due to decreased contract manufacturing but also weak market growth.

Sales rose in the second half of the year. Overall, sales were somewhat higher or relatively stable in the majority of markets, but declined in Norway, the Netherlands and the UK.

STRONG PRESENCE

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

Over half of Cloetta's sales consist of sugar confectionery and around 18 per cent of chocolate. Pastilles account for roughly 18 per cent, chewing gum for 8 per cent and other products, such as sweeteners, for 5 per cent.

CONCENTRATION OF THE GROCERY RETAIL TRADE

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

PRICE STRATEGIES

The concentrated grocery retail trade has exerted powerful price pressure on all of its suppliers in the past few years. To a large extent, Cloetta has normally handled this through efficiency improvements. In response to recent years' dramatic price increases for raw materials, particularly sugar, Cloetta has been forced to compensate by raising its prices in 2012 and 2013. Read more about raw material costs on pages 38–39.

TRAVEL RETAIL

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

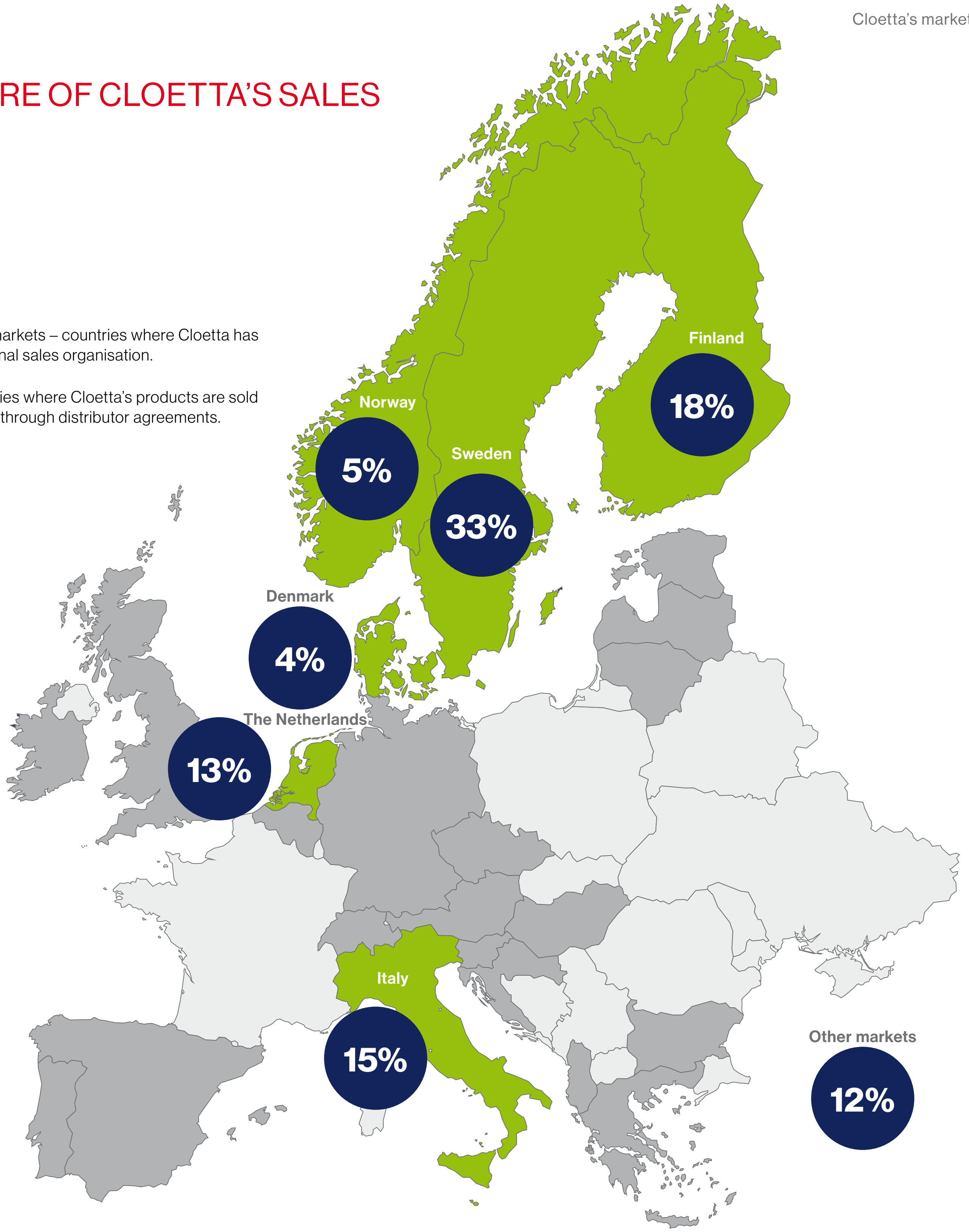
Well known brands and unique packages in terms of both appearance and size are two of the most important competitive tools, and Cloetta is continuing to develop attractive product innovations in these areas.

CLOETTA A LEADER IN THE MARKETS IN:

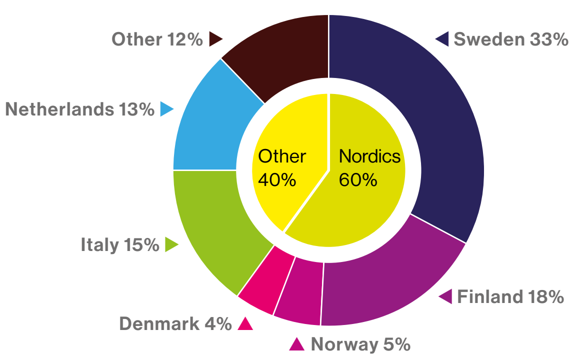
Sweden	Denmark	Finland	Norway	The Netherlands	Italy
Sugar confectionery	Pastilles	Pastilles	Pastilles	Pastilles	Seasonal products
Countlines	Sugar confectionery	Chewing gum	Sugar confectionery	Sugar confectionery	Sweetener
Pastilles	Chewing gum	Sugar confectionery		Chewing gum	Sugar confectionery
Chocolate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

SHARE OF CLOETTA'S SALES

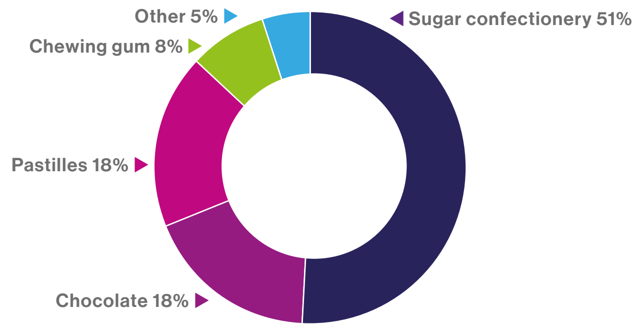
- Main markets – countries where Cloetta has a national sales organisation.
- Countries where Cloetta's products are sold mainly through distributor agreements.



CLOETTA'S NET SALES BY COUNTRY



CLOETTA'S NET SALES BY CATEGORY



Attention-getting campaigns

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

MALACO - SATURDAY ALL WEEK

Malaco's playful communications platform "being a grown-up can have its advantages – Saturday all week" provided the inspiration for a TV and movie commercial that has been shown over the past two years and contributed to a sharp increase in preference for the brand. The concept is based on grown-ups being able to celebrate Saturday all week and eat candy whenever they want.

In the autumn Cloetta took this concept one step further into the digital world and created a viral video that spread quickly on Facebook and YouTube. With a hidden camera, young people were filmed in a store where they were not permitted to buy candy since it was a Tuesday and they were under the age of 18, while the adults were of course allowed to buy. The film was very positively received and has been downloaded from YouTube more than 700,000 times.

RELAUNCH OF DIETORELLE

Dietorelle is the top-selling sugar-free candy in Italy, which accounts for one third of the Italian confectionery market. However, the brand was in need of an update, and a whole new range of Dietorelle based on stevia and with a new design was launched during the year. The concept in the campaign is founded on freshness, happiness and colour.

The relaunch of Dietorelle was supported by an integrated advertising campaign on TV, the Internet and in the social media. Thanks to Cloetta's measurement of impact in the digital media, a successive improvement in the digital sentiment index (DSI) was noted during the year. This is also reflected in increased sales of Dietorelle.

Effective sales organisation

Cloetta has a strong sales organisation in its main markets and attaches great importance to serving as an efficient and skilled partner to the retail trade and in finding new solutions and channels for sales.

Cloetta's wide product portfolio creates scale economies, especially in the Nordic region with its long geographical distances.

GOOD RELATIONS

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

With its extensive knowledge of different customer categories, Cloetta can present products and solutions that support the strategies of individual customers.

SALES PROMOTION ACTIVITIES

Cloetta typically combines marketing activities with high-impact sales promotion in the stores.

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

Since availability is a key factor for impulse-driven purchases like confectionery, the task for Cloetta's sales organisation is to continuously seek new non-traditional sales channels for selected parts of the product range.

SUPPORT FOR NEW PRODUCTS

One decisive success factor is that the products are visible in the store, which means that it is crucial how the retail trade receives Cloetta's products and how they are displayed. It is therefore important to launch products that the customers see as needed, and that are both easy to handle and profitable for the trade.

New product launches are typically given effective sales support through campaigns, events, in-store promotion and advertising in order to reach the consumers as quickly as possible. As a result, one of the sales force's most important tasks is to sell in and display campaigns in the store.

CLOETTA'S SALES ORGANISATION

Sells the right products to the right customer

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

Conducts effective sales campaigns in cooperation with the customers

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

Ensures that Cloetta's products have good visibility

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

Ensures compliance with central agreements with the retail trade

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

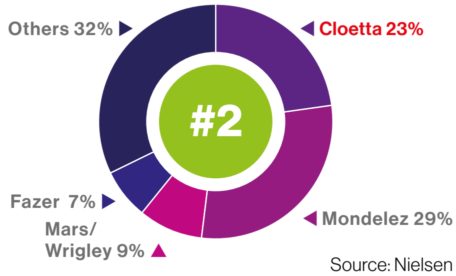
Sweden

Population:	9.5 million
Market size:	Consumer sales of approx. 1.5 billion EUR
Largest customers:	Axfood, Coop, ICA and Privab
Top-selling brands:	Malaco, Kexchoklad, Läkerol, Ahlgrens bilar, Polly, Center, Juleskum, Plopp and Sportlunch

Source: Datamonitor

LARGEST PLAYERS, SWEDEN

Confectionery market



Source: Nielsen

Sweden is the largest single market in the Nordic region, with around one third of the region's total confectionery consumption. Consumer sales in the Swedish confectionery market amount to around EUR 1.5 billion annually. In terms of value, sugar confectionery accounts for around 21 per cent, chocolate confectionery for around 57 per cent, pastilles for around 9 per cent and chewing gum for around 13 per cent. Pick-and-mix is an important part of the total market. In 2013 the total market showed weakly positive development.

CLOETTA'S SALES AND COMPETITORS

Cloetta's sales in the Swedish market accounted for 33 per cent of the Group's total sales in 2013.

Cloetta has a long history in Sweden. In 1872 the Cloetta brothers set up a factory in Malmö and were thus the first to establish industrial manufacturing of chocolate in Sweden. Fredrik Ahlgren founded his company in 1885 and launched Läkerol in 1909. In 1934 a factory was opened in Malmö to specialise in liquorice, which later became Malaco. Both Cloetta and Läkerol hold the prestigious position of Purveyor to the Royal Swedish Court.

Cloetta is the second largest player in Sweden with around 23 per cent of the confectionery market. The market leader is Mondelez (former Kraft Foods, among other things with the Marabou brand) with approximately 29 per cent of the market.

The retail chains' private labels have a share of around 6 per cent of the Swedish market.

SALES CHANNELS

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

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

SALES ORGANISATION

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

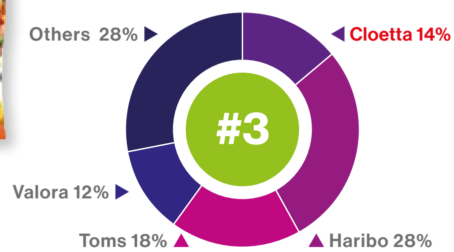
Denmark

Population:	5.6 million
Market size:	Consumer sales of approx. EUR 1.1 billion
Largest customers:	Coop, Dansk Supermarked and SuperGros
Top-selling brands:	Malaco, Lakrisal, Läkerol, Center and Juleskum

Source: Datamonitor

LARGEST PLAYERS, DENMARK

Sugar confectionery and pastilles market



Source: Nielsen

Denmark is the second largest market in the Nordic region, with around one fourth of the region's total confectionery consumption. Consumer sales in the Danish confectionery market amount to approximately EUR 1.1 billion annually and grew somewhat in value during 2013. In terms of value, sugar confectionery accounts for around 38 per cent, chocolate confectionery for around 54 per cent and pastilles for around 8 per cent.

CLOETTA'S SALES AND COMPETITORS

Cloetta's sales in Denmark accounted for 4 per cent of the Group's total sales in 2013.

Several of Cloetta's brands have a long history in Denmark. Läkerol, the market leader in the pastilles segment, was launched as early as 1910.

Cloetta is the third largest player in Denmark, with around 14 per cent of the pastille and sugar confectionery market. The market leaders are Haribo with around 28 per cent and Toms with approximately 18 per cent.

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

SALES CHANNELS

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

SALES ORGANISATION

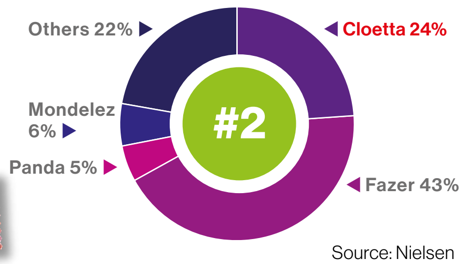
In Denmark there are around 40 employees at the office in Brøndby and in the sales organisation. Sales of brands that were previously handled by a third partly were taken over by the Group's own sales organisation at year-end 2012.

Finland

Population: 5.4 million
Market size: Consumer sales of approx. EUR 0.9 billion
Largest customers: SOK, Kesko and Tuko
Top-selling brands: Malaco, Jenkki, Mynthon, Läkerol, Sisu and Tupla

Source: Datamonitor

LARGEST PLAYERS, FINLAND
Confectionery market



Source: Nielsen

Finland is the third largest market in the Nordic region, with around one fifth of the region's total confectionery consumption. Consumer sales in the Finnish confectionery market amount to around EUR 0.9 billion annually.

In terms of value, sugar confectionery accounts for around 32 per cent, chocolate confectionery for around 29 per cent, pastilles for around 11 per cent, chewing gum for around 8 per cent and other products for around 20 per cent.

CLOETTA'S SALES AND COMPETITORS

Cloetta's sales in Finland accounted for 18 per cent of the Group's total sales in 2013.

Cloetta has long held a strong position in the Finnish market. The legendary pastille brand Sisu was launched in 1928 and in 1951 Cloetta launched Jenkki, which is today the market-leading chewing gum. Tupla, which was launched in 1960, is the market leader in the chocolate countline segment. With Mynthon, Läkerol and Sisu, Cloetta is the market-leader in the pastille segment.

Cloetta is the second largest player in the Finnish market, with a share of around 24 per cent of the confectionery market. The market leader is Fazer, with approximately 43 per cent of the confectionery market.

The retail chains' private labels have a share of around 7 per cent of confectionery sales in the Finnish market.

SALES CHANNELS

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

SALES ORGANISATION

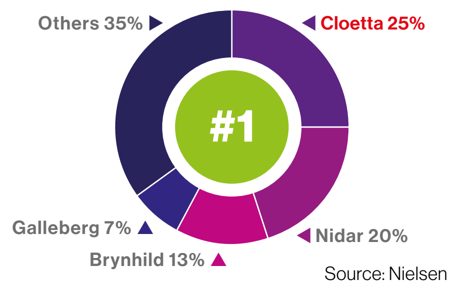
In Finland there are around 160 employees at the office in Turku and in the sales organisation.

Norway

Population: 4.9 million
Market size: Consumer sales of approx. EUR 0.9 billion
Largest customers: Coop, ICA, NorgesGruppen and Rema
Top-selling brands: Malaco, Läkerol, Pops and Ahlgrens bilar

Source: Datamonitor

LARGEST PLAYERS, NORWAY
Sugar confectionery and pastilles market



Source: Nielsen

Norway is the smallest market in the Nordic region, with just under one fifth of the region's total confectionery consumption. Consumer sales in the Norwegian confectionery market amount to around EUR 0.9 billion annually. The Norwegian confectionery market weakened in 2013.

CLOETTA'S SALES AND COMPETITORS

Cloetta's sales in Norway accounted for 5 per cent of the Group's total sales in 2013.

Cloetta has a long history in Norway. Läkerol was launched in 1912 and is still the market-leading pastille in Norway today. Other strong brands include Malaco, Ahlgrens bilar and Pops. Cloetta is the third largest player in the Norwegian confectionery market.

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

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

SALES CHANNELS

As in the other Nordic countries, the grocery retail trade in Norway is dominated by major chains. Decisions about the product range are made at a central level and effective cultivation by the sales force is decisive in achieving product listings. The Norwegian market is also more driven by product innovations than the other Nordic markets.

SALES ORGANISATION

In Norway Cloetta has around 60 employees at the office in Høvik and in the sales organisation.

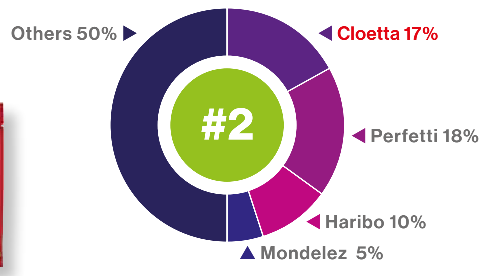
The Netherlands

Population:	16.6 million
Market size:	Consumer sales of approx. EUR 1.5 billion
Largest customers:	Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam
Top-selling brands:	Sportlife, XyliFresh, King, Red Band and Venco

Source: Datamonitor

LARGEST PLAYERS, THE NETHERLANDS

Sugar confectionery market including pastilles and chewing gum



Source: Nielsen

The Netherlands is the sixth largest market in Western Europe, with just over 4 per cent of the region's confectionery consumption. Consumer sales in the Dutch confectionery market amount to EUR 1.5 billion annually. The Dutch market for pastilles and chewing gum decreased during 2013, while the market for sugar confectionery was essentially unchanged.

CLOETTA'S SALES AND COMPETITORS

Cloetta's sales in the Netherlands accounted for 13 per cent of the Group's total sales in 2013.

Cloetta's oldest brand in the Netherlands is Venco, which was launched in 1878. In the Cloetta Group, Venco is the only standalone liquorice brand, with a market-leading position in the liquorice category. With the chewing gum brands Sportlife and XyliFresh, Cloetta is also the market leader in the Dutch chewing gum market, where Red Band holds the number two position in the bagged candy market.

Cloetta and Perfetti are the dual market leaders in the Dutch sugar confectionery market, with a share of 17 per cent respectively 18 per cent.

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

SALES CHANNELS

The grocery retail trade is concentrated around a few major players. With primarily centralised purchasing, it is possible to achieve wide and rapid distribution of the new products that are launched.

SALES ORGANISATION

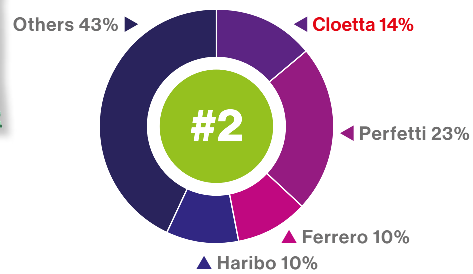
In the Netherlands Cloetta has around 70 employees at the office in Oosterhout and in the sales organisation.

Italy

Population:	60.7 million
Market size:	Consumer sales of approx. EUR 3.7 billion
Largest customers:	Coop, Esselunga, Carrefour Group and CONAD
Top-selling brands:	Sperlari, Dietor, Saila and Dietorelle

LARGEST PLAYERS, ITALY

Confectionery market



Source: Nielsen

Italy is the fourth largest market in Western Europe, with close to one tenth of the region's total confectionery consumption. Consumer sales in the Italian confectionery market amount to around EUR 3.7 billion annually. In 2013 the Italian confectionery market grew following a downturn in 2012. In terms of value, sugar confectionery accounts for around 26 per cent, chocolate confectionery for around 30 per cent, pastilles for around 16 per cent and chewing gum for around 28 per cent.

CLOETTA'S SALES AND COMPETITORS

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

Cloetta has an impressive history in the Sperlari brand from 1836, which is Cloetta's oldest brand and the leading Christmas confectionery in Italy. The Saila brand is more than 70 years old. Sugar-free Dietorelle essentially created the sugar-free segment in Italy and, like the sweetener Dietor, is the market leader. Cloetta is the second largest player in the Italian market for sugar confectionery and pastilles, with a share of around 14 per cent. The foremost competitors are the market leaders Perfetti, Haribo and Ferrero. Perfetti has a market share of around 23 per cent, while Haribo and Ferrero have market shares of around 10 per cent each.

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

SALES CHANNELS

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

SALES ORGANISATION

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

Other markets

All in all, other markets accounted for 12 per cent of the Group's total sales in 2013.

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

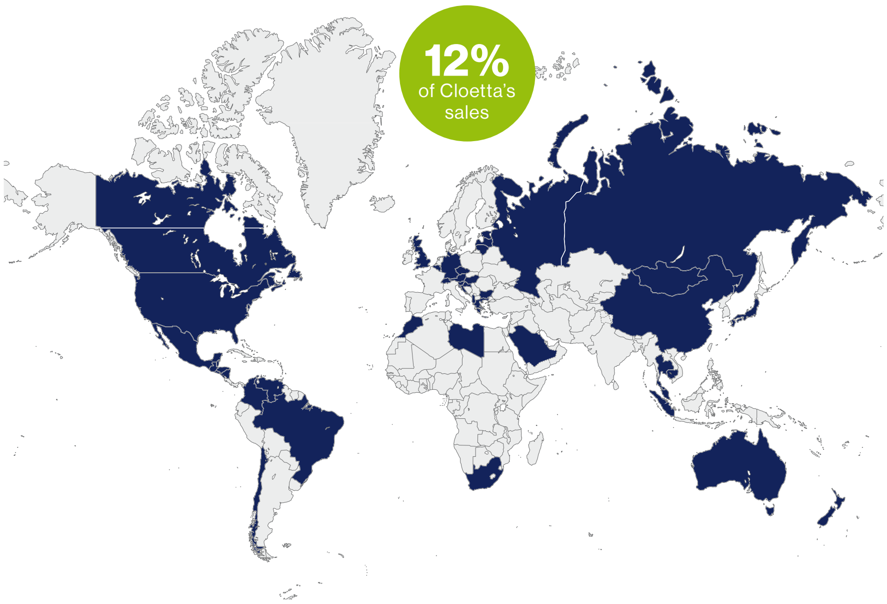
EXTERNAL DISTRIBUTORS

In certain countries, such as Germany, the United Kingdom, the Baltic countries and Singapore, Cloetta has a small organisation and its own staff, but handles sales and distribution through external distributors.

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

IMPORTANT BRANDS

The most important brands in these markets are Chewits, Red Band, Läkerol, Sportlife, Sperlari and Tupla.



Production and purchasing

At year-end Cloetta had 10 factories in Sweden, Italy, the Netherlands, Belgium and Slovakia. All in all, Cloetta produced 96,500 tonnes of confectionery during 2013.

Cloetta's supply chain is responsible for production, purchasing, planning, logistics, quality, technology and safety. During the year, the top priority has been on completing the decided factory restructurings and a constant striving for continuous improvements through Lean and Value Engineering.

PRODUCTION RATIONALISATIONS

The merger between Cloetta and LEAF, combined with excess capacity in the production structure, created opportunities to rationalise production.

In 2012 Cloetta decided to close the factories in Alingsås and Gävle, Sweden, and Aura, Finland. The closure of the Alingsås factory was completed during 2012. The factory in Aura was closed in the first quarter of 2013 and the factory in Gävle terminated production at the end of December 2013. This production has been moved primarily to Ljungsbro, Sweden, and Levice, Slovakia, which are expected to reach full scale production and efficiency during 2014.

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

MANAGEMENT SYSTEMS

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

The management systems cover occupational health and safety, quality, product safety and the environment. The management systems are based on international standards (BRC Global Standard for Food Safety, ISO 14001 and OHSAS 18001), recurring risk assessments and continuous improvements.

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

Read more about Cloetta's environmental work on pages 46–47.

OCCUPATIONAL SAFETY

Employee safety is fundamental in all production and is the highest priority in each production facility. Continuous risk assessments and increased reporting of incidents and accidents contribute to greater knowledge about potential causes of accidents in the workplace.

These systematic efforts have made it possible to decrease the number of injuries at work in recent years. In 2013 the decrease in the number of occupational injuries was not as large as in 2012 (the number of days between occupational accidents with >1 day of sickness absence). Read more in the section on a good and safe working environment on page 48.

QUALITY AND PRODUCT SAFETY

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

Continuous efforts are made to ensure that the products meet the requirements and expectations of consumers and retailers. For each product there is a quality specification describing the required flavour, aroma, appearance, consistency and package.

No azo food colourings are used in Cloetta's products.

Cloetta's factories are certified according to the BRC Global Standard for Food Safety and/or ISO 9001. BRC is a standard for assurance of product safety and quality, and is one of the cornerstones of Cloetta's quality management. The goal is for all of Cloetta's factories to obtain BRC certification. The four Italian factories, which have previously chosen ISO 9001, started the implementation of BRC during 2012. The first Italian factory was certified in the autumn of 2012 and the second in the autumn of 2013.

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

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

PLANNING AND LOGISTICS

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

In 2012 a decision was made to close and move the warehouse operations in Oslo, Norway, in Slagelse, Denmark, and in Malmö, Sweden, to a joint facility in Helsingborg, Sweden, which is handled by an external supplier. In 2013 Cloetta also closed down its warehouse operations in Norrköping and moved these to Helsingborg.

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

Success factors for production

Cloetta ensures long-term profitability through continuous improvements in all areas.

Engaged employees

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

Safety

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

Delivery reliability

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

High and even quality

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

Flexibility

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

Cost-efficiency

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

PURCHASING

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

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

Cloetta's range includes products that are produced by other manufacturers. The bulk of contract manufacturing in 2013 was used for chocolate and specific packaging solutions. External production is outsourced only to manufacturers following approval by Cloetta, according to the same high quality standards that apply to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

INSOURCING

Cloetta continuously evaluates the possibilities for external production vs. insourcing. In the past year Cloetta cancelled contracts and started its own manufacturing of several products, such as wine gums which are now produced in Italy and chewing gum in the Netherlands. In 2013 Cloetta also purchased and began the installation of a new production line in Ljungsbro. In 2014 the new line will start to manufacture Tupla for the Finnish market, which are currently produced by a third party.

CONSUMER AND CUSTOMER FEEDBACK

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

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

CONTINUOUS IMPROVEMENTS BECOME LEAN 2020

Cloetta works constantly to decrease costs and reduce wastage. Key success factors in the production process include long-term and day-to-day efforts to achieve continuous improvements and a learning-driven culture. This is conducted through systematic work on lean processes and Value Engineering.

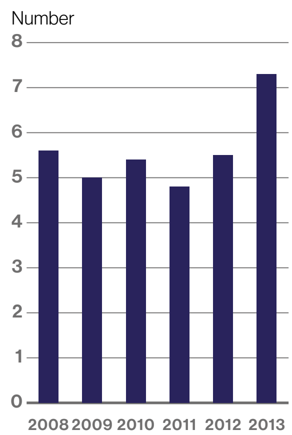
During the year our production strategy was shaped into a long-term vision - "Lean 2020". This vision is based on benchmarking production of world class. Based on examples of world class, the Group formulated its vision, Lean 2020. To clarify this ambition, five targets have been set for areas such as machine efficiency, energy consumption and reduction of inventories. The targets will be met through lean processes and tools.

Lean

Lean is defined in the production strategy and includes the following eight principles:

1. We are customer-focused
2. Products flow through the value stream
3. Our work is standardised
4. We do things right the first time
5. We allow people to grow
6. We investigate things ourselves
7. We are a learning-driven organisation
8. We make fact- and team-based decisions

COMPLAINTS, feedback/ millions of consumer units sold



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

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

Ahlgrens bilar in new production

In 2013 production of Ahlgrens bilar was successively moved from the factory in Gävle to the factory in Ljungsbro. Tina Åhlund is responsible for this department. She is assisted by around ten people who have worked on the technical aspects, with Christian Andersson and Chris Taffijn as project managers.

Tomas Helle, Tina Åhlund and Jörgen Calmerberg

"Aside from the project group for technical issues, support functions headed by Zara Gustavsson really facilitated the process. But many more people have been involved. In fact, it feels like almost everyone at the factory in Ljungsbro has taken part in one way or another.

"Initially, we carried out a number of pilot studies. The conditions were that no new facilities would be built and no equipment would be moved from Gävle, since we couldn't allow any disruptions in production at the Gävle factory during the year," says Tina Åhlund.

THE PROCESS

> Stage 1 – free up space and make room for our new »car line« by moving other equipment.
> Stage 2 – detail planning of all technical equipment that would be needed, new and used.
> Stage 3 – procurement and installation of equipment.
> Stage 4 – test driving of all machinery and functions.
> Stage 5 – functional testing of the entire product flow from raw material to packaged product.
> Stage 6 – test driving of all products for matching, i.e. comparison and adjustment to ensure that the cars' taste and appearance are the same as they were in Gävle and in order to meet BRC requirements.

EXACTLY THE RIGHT PRODUCT

"The hardest part has been to produce products identical to those made in Gävle, neither better nor worse. It's not just a matter of following the recipe. There are many factors that play in, such as temperature, how the equipment works, how much air is whipped into the foam, and so on.

"We have test tasted many kilos of cars in the course of this process! The flavour, chewiness, structure and consistency all have to be perfect. In addition, Bilar consists of several different products with varying requirements, for example the salt-sugared version has to dry in a climate-controlled room before we can package them, or the sour cars that we have to keep separate so that their flavour doesn't spread to other products. We also have different packaging solutions, such as limousines for the Travel Trade and small bags."

THE PROCESS

The manufacturing process is made up of four steps: boiling, mogul moulding, quality control and packaging, and finally the bags must be packed onto a pallet.

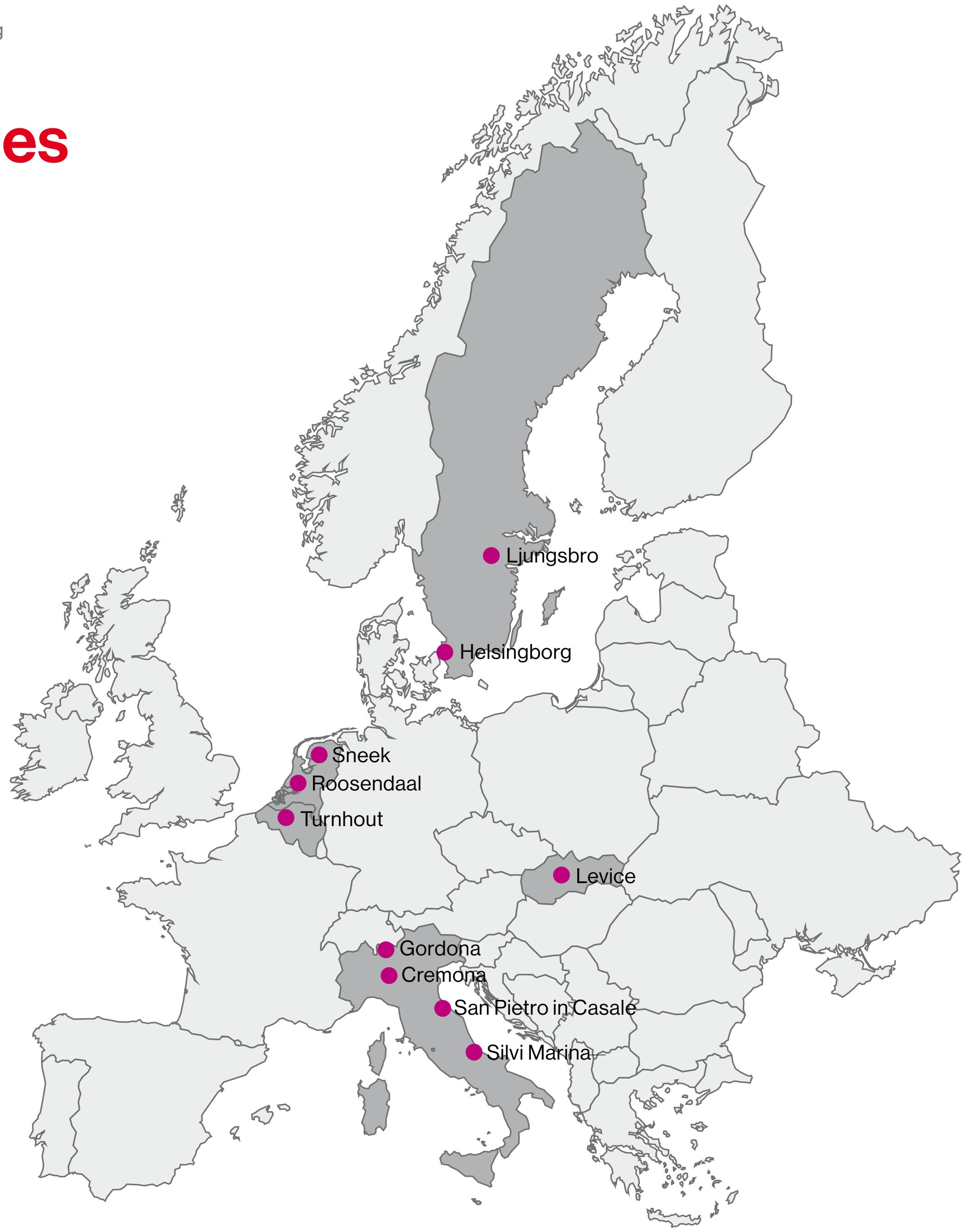
"In 2013 we worked in three-shift, but starting from year-end we are working in four-shift with six people per shift. On good days we have produced 19 tonnes, but it depends a little on the number of different flavours and how many resulting machine changeovers we have to do.

"Our ambition is higher and now that production has reached full scale and we will naturally continue to fine-tune and further improve the production process. Following the transition from three- to four-shift, the goal is to produce 100 tonnes per week."

DEEP COMMITMENT

"There have been many long days but it has definitely been worth it, mainly because we have succeeded so well but also as a result of everyone's commitment and enthusiasm. I have sometimes received text messages on Friday evenings from proud employees who are eager to tell me that the key performance indicators for production have exceeded expectations. That gives me a warm feeling," says Tina.

Factories



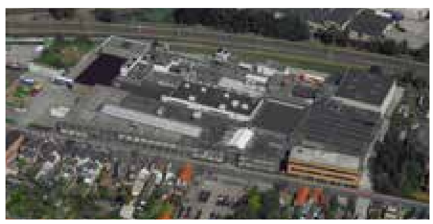
OVERVIEW OF FACTORIES

Levice, Slovakia

Production volume in 2013:	19,800 tonnes
Number of plant employees:	Approx. 675
Number of production lines:	10 production lines 31 packaging lines
Largest brands:	Malaco, Red Band, Läkerol, Chewits, Venco, Läkerol Dents, Mynthon
Manufacturing methods:	Starch moulding*, extrusion, coating, hard boiled candy, soft boiled candy and chewy toffee manufacturing.
Certifications:	BRC Global Standard for Food safety

Ljungsbro, Sweden

Production volume in 2013:	17,000 tonnes
Number of plant employees:	Approx. 260
Number of production lines:	12 production lines 3 packaging lines 1 chocolate production center
Largest brands:	Kexchoklad, Ahlgrens bilar, Center, Polly, Plopp, Sportlunch, Juleskum
Manufacturing methods:	Chocolate moulding, starch moulding*, coating and wafer production
Certifications:	BRC Global Standard for Food Safety and ISO 14001



Roosendaal, the Netherlands

Production volume in 2013:	17,000 tonnes
Number of plant employees:	Approx. 140
Number of production lines:	5 production lines 9 packaging lines
Largest brands:	Red Band, Malaco, Venco, Lakrisal
Manufacturing methods:	Starch moulding*, coating and compression of pastilles
Certifications:	BRC Global Standard, for Food Safety

Turnhout, Belgium

Production volume in 2013:	14,500 tonnes
Number of plant employees:	Approx. 110
Number of production lines:	2 production lines 4 packaging lines
Largest brands:	Malaco, Red Band
Manufacturing methods:	Starch moulding*
Certifications:	BRC Global Standard for Food Safety

Cremona, Italy

Production volume in 2013:	6,600 tonnes
Number of plant employees:	Approx. 110
Number of production lines:	8 production lines 23 packaging lines
Largest brands:	Sperlari, Dietorelle, Galatine, Hopea Tofffee, Extra Starka, Läkerol
Manufacturing methods:	Hard boiled candy manufacturing, compressing of pastilles and nougat forming
Certifications:	ISO 9001, ISO 14001 and OHSAS 18001

Sneek, the Netherlands

Production volume in 2013:	5,600 tonnes
Number of plant employees:	Approx. 100
Number of production lines:	5 production lines 19 packaging lines
Largest brands:	Sportlife, XyliFresh, King, Jenkki
Manufacturing methods:	Rolling and scoring of chewing gum, coating of chewing gum, hard boiled candy manufacturing and lozenges manufacturing
Certifications:	BRC Global Standard for Food Safety and ISO 14001

Helsingborg, Sweden**

Production volume in 2013:	5,200 tonnes
Number of plant employees:	Approx. 40
Number of production lines:	6 production lines 5 packaging lines
Largest brands:	Nutisal
Manufacturing methods:	Dry roasting, frying, coating
Certifications:	BRC Global Standard for Food Safety

Gordona, Italy

Production volume in 2013:	5,100 tonnes
Number of plant employees:	Approx. 65
Number of production lines:	3 production lines 6 packaging lines
Largest brands:	Sperlari, Red Band, Galatine, Kick
Manufacturing methods:	Starch moulding* and toffee manufacturing
Certifications:	BRC Global Standard for Food Safety, ISO 9001, ISO 14001 and OHSAS 18001

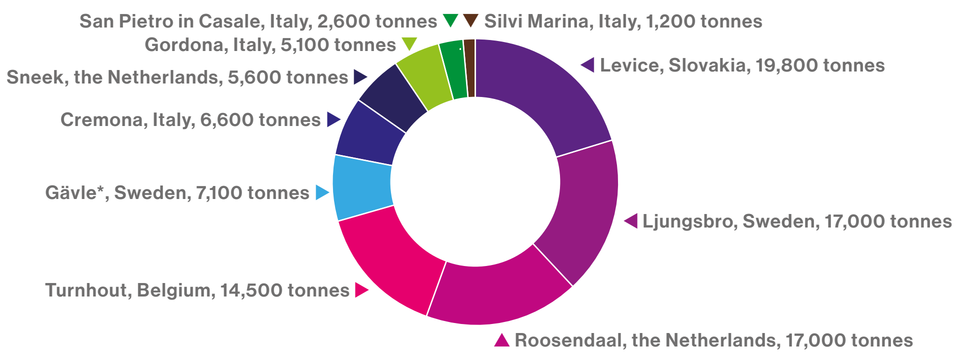
San Pietro in Casale, Italy

Production volume in 2013:	2,600 tonnes
Number of plant employees:	Approx. 90
Number of production lines:	4 production lines 10 packaging lines
Largest brands:	Dietor, Dietorelle, Läkerol, Fruttil, Sisu
Manufacturing methods:	Manufacturing of sweetener and starch moulding*
Certifications:	BRC Global Standard for Food Safety, IFS Food Standard Version 6, ISO 14001 and OHSAS 18001

Silvi Marina, Italy

Production volume in 2013:	1,200 tonnes
Number of plant employees:	Approx. 50
Number of production lines:	4 production lines 10 packaging lines
Largest brands:	Saila
Manufacturing methods:	Coating and compression of pastilles, liquorice production
Certifications:	ISO 9001, ISO 14001 and OHSAS 18001

PRODUCTION BY FACTORY 2013, TONNES



* Production at the factory was terminated in the fourth quarter of 2013.

At year-end 2013 Cloetta had ten factories in five countries. The factory in Gävle will be closed in the first quarter of 2014. Its production was moved during 2013, primarily to the factories in Ljungsbro, Sweden and Levice, Slovakia. In 2013 the factories produced a total of 96,500 tonnes of confectionery, which is equal to 425 tonnes per working day. The factory in Levice is the Group's largest production facility.

* Moulding in starch.

** In January 2014 Cloetta added the facility in Helsingborg, Sweden which roasts, fries, dragees, seasons and mixes nuts for the Nutisal brand.

Purchasing of raw materials

Raw materials account for around 60 per cent of total production costs. In terms of value, the most significant raw materials are sugar, glucose syrup, polyols, cocoa, milk powder and packaging. The purchasing prices for raw materials have risen markedly in recent years. Overall, these prices remained high in 2013.

Raw material prices have reached historically high levels and although the prices of individual raw materials can fluctuate during a single quarter, Cloetta's total raw material costs have been high in the past few years.

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

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

AGRICULTURAL POLICY

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

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

SUPPLIERS

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

of raw materials and packaging account for 41 per cent of the total purchasing volume.

All suppliers to Cloetta are evaluated and approved before they are permitted to deliver to the factories. Certain suppliers are physically audited at regular intervals by Cloetta's employees.

COST TREND

Sugar

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

Cocoa

The price of cocoa has once again risen in the past year. The cocoa price is often subject to sharp fluctuations that are partly explained by the fact that the cocoa exchange is comparatively small and therefore of interest for speculation. The cocoa price is naturally also dependent on the level of supply, i.e. the harvest and trends in demand. Furthermore, the cocoa bean price is affected by political instability in Ivory Coast, from which most of Europe's cocoa is sourced.

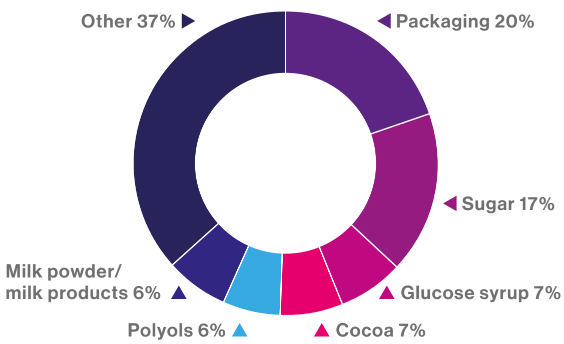
Other raw materials and packaging

The price of wheat and corn has a powerful influence on the price of glucose syrup. Following poor harvests resulting from global weather conditions during 2012, prices have climbed sharply. However, prices stabilised and improved somewhat during 2013.

The price of polyols is less affected by grain prices and has therefore not risen as significantly.

Purchasing costs for packaging materials have been stable.

BREAKDOWN OF RAW MATERIAL AND PACKAGING COSTS



Corporate responsibility

Cloetta's overarching goal for corporate responsibility is to build sustainable long-term value.

By striving to attain a balance between social, environmental and financial aspects, Cloetta can create sustainable value together with its stakeholders. For Cloetta, sustainable value is about growing as a company while at the same time ensuring that the people and environments that are impacted by Cloetta's operations and products are positively affected.

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

REPORTING PERIOD AND GUIDELINES

This is Cloetta's fourth sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines, G3. The report meets the criteria in level C and has not been externally assured. The contents refer the financial year from 1 January to 31 December 2013 and include all of Cloetta's activities unless otherwise specified. Cloetta's ambition is to report on its sustainability performance every year in the annual report.

Since the sustainability report is part of the annual report for the financial year 2013, reference is made to different pages in the annual report in order to avoid repetition. In particular, see the message from the CEO, the corporate governance report and the section on production and purchasing. Page 54 provides a summarised table that shows where in our annual report the various GRI indicators can be found.

PRIORITISED AREAS

The sustainability report is designed to reflect the company's financial, environmental and social impacts. Cloetta's priorities have been set based on Cloetta's strategies, code of conduct and values, see below. The selected areas are those that have been assessed to be the most relevant and significant for Cloetta's operations and for Cloetta's primary stakeholders in the short and long term.

Prioritised areas

SCOPE

The sustainability report primarily covers Cloetta's own operations, meaning Cloetta's direct impact on the environment and people. All of Cloetta's production and virtually all sales take place in Europe and all of Cloetta's direct suppliers, with a few exceptions, are found in Europe, where there are laws that among other things regulate human rights.

Product responsibility and product safety are an integral part of Cloetta's production process and are described on page 32.

Cloetta's commitment to corporate responsibility is integrated throughout the value chain. This means that aside from taking responsibility for the aspects that are under the company's direct control, Cloetta also takes a certain responsibility for indirect aspects outside of its direct control, i.e. from raw material supplier to the recyclability of the product packages. All of Cloetta's suppliers of direct materials undergo an approval process in which factors like their sustainability work are evaluated. This process is described under Purchasing of raw materials on page 38.

For raw material suppliers with which Cloetta has no direct supplier relationship, such as growers in developing countries, Cloetta is responsible for promoting sustainable development. Read more about Cloetta's involvement in international initiatives on pages 43.

ORGANISATION FOR SUSTAINABILITY WORK

Cloetta's sustainability work is overseen by the Director Corporate Responsibility, who functions as a conduit for issues related to corporate responsibility and is charged with identifying prioritised areas, acting as a link between the company's stakeholders and management and supporting the implementation of Cloetta's strategy for corporate responsibility.

Cloetta's code of conduct guides the way in which the company is managed from a social, environmental and financial perspective.

CLOETTA'S CODE OF CONDUCT

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

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

Cloetta – every day

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

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

From raw material to cherished brands

Cloetta is responsible for the entire supply chain, from raw material to finished product.

Cloetta supports the relevant ILO conventions and complies with the laws and rules in the countries where it conducts operations, and places the same demands on the company's suppliers. In order to become an approved supplier to Cloetta, the supplier must undergo an approval process and accept Cloetta's general supplier requirements.

Cloetta committed to product content

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

Cloetta's environmental impact

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

Cloetta's environmental work is governed by the code of conduct, which states an ambition to comply with the applicable laws and rules, involve the employees and focus on continuous improvements in the environmental area. Cloetta's foremost environmental impact arises through water and energy consumption, wastewater emissions, waste and transports.

INTERNATIONAL SUSTAINABILITY INITIATIVES

Cloetta is involved in industry associations and non-profit/non-governmental organisations that are working to accelerate development towards more sustainable raw material production, primarily of cocoa but also palm oil. Read more about this in the section "Sustainable sourcing" on pages 44–45.

TWO AWARDS DURING THE YEAR

Product of the year at Pressbyrån

In November Reitan Convenience Sweden appointed Product of the Year 2013. Polly Bilar won the prize with the following motivation: *"The year's winner at Pressbyrån is Polly Bilar from Cloetta, which has combined its product portfolio of strong classics and created a brilliant combination. This innovation quickly rose to the top as one of the best-selling products at Pressbyrån and should be seen as one of the best launches during the year."*

ONE Awards gives Silver to Ahlgrens bilar Bilmagasinet/Fruktkombi

The Ahlgrens bilar campaign Bilmagasinet/Fruktkombi won a Silver medal in the ONE Awards advertising competition, in the largest and most prestigious category, Creativity.

Overall targets for sustainability in 2014

Sustainable purchasing

Certified cocoa

- 100% of all cocoa will be certified according to UTZ, read more on page 44.

Certified palm oil

- 100% of all palm oil will be Green Palm-certified, read more on page 44.

Environment

Emissions of carbon dioxide

- CO_2 in production will not exceed 0.41 kg per produced kg.

Environmental certification

- Implementation of a multi-site certificate for ISO 14001 in 2015 at the latest.
- All factories will have implemented ISO14001 in 2016.

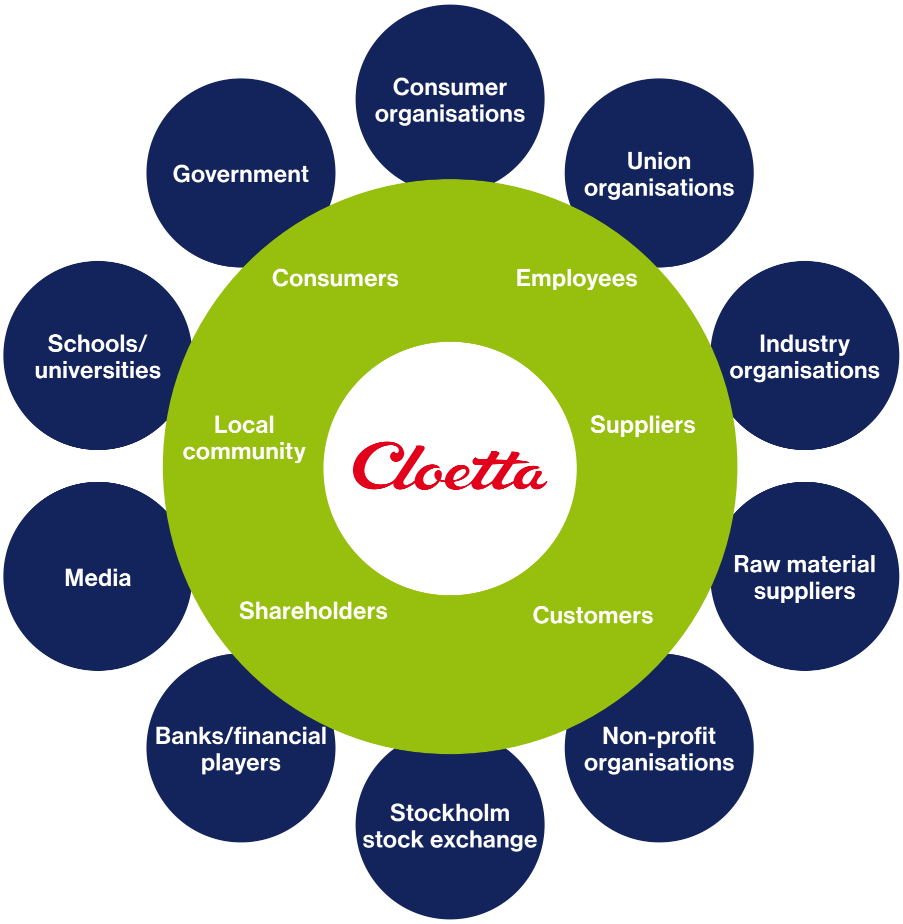
Employees

- The number of days between occupational accidents with >1 day of sickness absence should exceed 20.3 days in 2014.

Cloetta's stakeholders

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

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



KEY STAKEHOLDER ISSUES FOR SUSTAINABILITY

Stakeholders	Key issues – sustainability	Communication and cooperation
Customers/consumers	Product safety and quality. The Group's brands. Clear declarations of ingredients. Eco-friendly packages. Cloetta takes responsibility for the environment and working conditions as far as possible. Ethics in general.	With consumers through various surveys and via the websites and social media. With customers through personal customer and sales meetings and via customer surveys, but also collaborative initiatives for eco-friendly transports.
Employees	A good and stimulating working situation. A safe working environment. Health and fitness activities. Ethical issues in general. Good financial development for the company.	Daily meetings to discuss occupational health and safety in the factories, annual performance reviews with all employees, systematic skills development activities, up-to-date information via managers, the intranet and union representatives. Since 2011 Cloetta conducts the survey Great Place to Work every other year.
Shareholders and investors	Sustainable long-term financial value growth. Ethical issues in general.	Annual report, website, analyst and investor meetings, interim reports and the annual general meeting.
Suppliers and other business partners	Ethics and business codes in procurement. Product safety. Sustainable long-term development. Support of human rights among raw material producers.	Collaborative projects for sustainability. Supplier evaluations, sponsorship evaluations and development projects.
The public/society	Cloetta takes responsibility for the environment and working conditions as far as possible. Laws, regulations and standards. Cloetta makes a positive contribution to development of society, including the local environment.	The local communities/municipalities around Cloetta's factories with regard to the local environment. Public authorities in areas related to occupational health and safety, environmental and product responsibility, schools and universities. Certification bodies for ISO and BRC. Key opinion leaders.

Collaboration in organisations

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

World Cocoa Foundation (WCF)

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

Caobisco

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

Round Table on Sustainable Palm Oil

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

UN Global Compact

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

UTZ

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

INDUSTRY ORGANISATIONS

> AIDI (Italian Confectionery Industry).

> Chokofa is a Swedish industry association.

> Choprabisco, Belgium.

> DI (Danish Chocolate and Confectionery Industries).

> ETL (Finnish Food Industries' Federation).

> FNLI (The Dutch Food Industry Federation).

> IBC (Italian Branded Products Industry).

> HSH (The Federation of Norwegian Commercial and Service Enterprises).

> ISA (International Sweeteners Association), Italy.

> VBZ (Association of the Dutch Bakery and Confectionery Industry).

Sustainable sourcing

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

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

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

CLOETTA BUYS SUSTAINABLE COCOA

In 2014 Cloetta will certify its entire range of chocolate products with sustainable cocoa from UTZ-certified farmers. For Cloetta it is vital to address the challenges facing the cocoa growers in West Africa. By changing to sustainable cocoa from UTZ-certified farmers, Cloetta creates a platform for ensuring a supply of high quality cocoa to the factories while providing better prospects for the West African cocoa growers to develop sustainable farming.

SOURCING OF COCOA

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

Low productivity – a problem for cocoa farmers

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

UTZ certified cocoa – better farming for a better future

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

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

PALM OIL

From a sustainability perspective, there are a number of concerns surrounding cultivation and production of palm oil and palm kernel oil. Malaysia and Indonesia account for around 90 per cent of total global production. Both countries are struggling with serious problems related to destruction of rain forest, which among other things has a negative impact on the indigenous wildlife.

Cloetta has chosen to actively support sustainable production of palm oil/palm kernel oil by purchasing GreenPalm certificates for parts of the product portfolio. For each tonne of palm oil/palm kernel oil that is used in production, Cloetta pays a premium to a palm oil/palm kernel oil producer that works according to the rules for social and environmental responsibility defined by the Roundtable on Sustainable Palm Oil (RSPO). These rules forbid the destruction of rainforest and set out requirements for working conditions, prohibition of child labour, etc.

Aside from the decision to actively support sustainable production of palm oil/palm kernel oil, Cloetta is working together with its main suppliers in order to trace the origins of the palm oil to a greater extent. This effort started at the end of 2013.

Study visit to Ivory Coast

In 2013 a group from Cloetta made a study visit to Ivory Coast to experience the difference that UTZ certification makes in the cocoa growers' daily lives.

»By changing to sustainable cocoa from UTZ-certified farmers, Cloetta creates a platform for ensuring high quality cocoa to the factories and at the same time providing better opportunities for the West African cocoa growers to develop sustainable farming. If those of us who use cocoa don't take action now, there is a real risk that there will not be enough cocoa in the future.«

THOMAS WIESGICKL
Director Corporate Responsibility

»When we talked to the cocoa farmers, met their families and listened to their stories about how they are struggling to earn a living in Ivory Coast – I felt very happy and proud of Cloetta's decision to wholeheartedly support the UTZ. Many growers had been able to improve their economic situation and had a whole new future belief in cocoa growing.«

SARA RÖKEN
Category Leader Chocolate

»Unless the cocoa harvest in West Africa is improved, there is a risk for a shortage of cocoa in the future. The UTZ training for smallholder farmers in Ivory Coast increases the quantity and quality of the harvests, and it is clearly visible that it also improves quality of life in the villages. It will take time before one million small growers have been given this training, but it feels good that we at Cloetta are contributing.«

HENK HAANS
Category Sourcing Manager

Environmental responsibility

Cloetta's greatest environmental impact arises through water and energy consumption, wastewater emissions, waste and transports.

Viewed over the entire life cycle of the products, the most significant environmental impact arises in raw material and packaging production. Cloetta works to reduce its environmental impact through systematic environmental management.

ENVIRONMENTAL POLICY ENVIRONMENTAL MANAGEMENT SYSTEM

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Six of ten factories are certified according to ISO 14001 and the remaining four will also revise their systems according to the standard over the next few years.

ENVIRONMENTAL WORK

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

WORKING METHODS

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

PACKAGING

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

ENVIRONMENTAL IMPACT AND PRIORITIES

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

The priorities for Cloetta's environmental work have been set based on how the direct operations impact the environment, the extent of this impact, the probability of unplanned environmental events occurring, the requirements of public authorities and other stakeholders and, finally, the extent to which Cloetta can influence development. The prioritised areas for Cloetta's environmental work are:

- > Energy consumption
- > Volume and attributes of wastewater
- > Waste volume, type and recycling

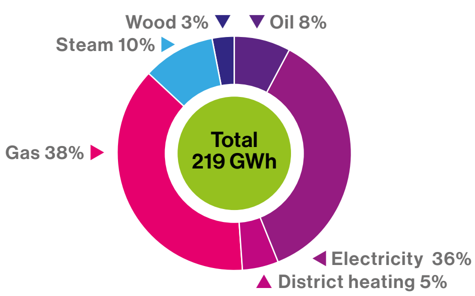
ENERGY CONSUMPTION

The Group's aggregate energy consumption during the financial year was around 219 GWh (215). Approximately 25 per cent of the total energy usage is independent from the production volume, i.e. related to heating and cooling of properties, while 75 per cent is directly linked to production.

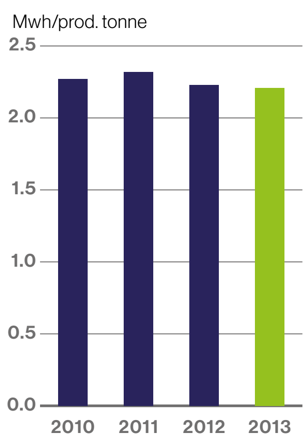
CO_2 emissions

Alongside efforts to reduce energy consumption, Cloetta is also working to choose energy types with the smallest possible negative impact on the environment. For that reason, the total amount of energy used is converted to the amount of CO_2 equivalents generated by the chosen energy types.

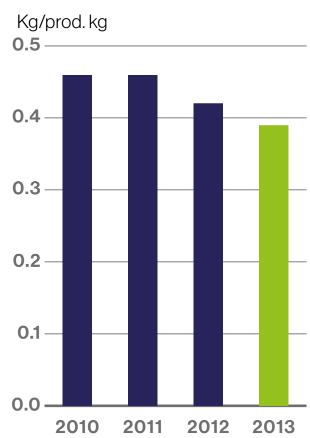
ENERGY SOURCES



ENERGY CONSUMPTION



CO_2 EMISSIONS



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

Filtration led to cleaner wastewater

The wastewater at the factory in San Pietro, Italy has had high levels of COD, i.e. chemical oxygen demand, which has meant that the factory has been forced to send its wastewater for special treatment. In 2012 the volume rose to around 1,600 tonnes at a subsequent cost of EUR 95,000, which was an increase by 35 per cent in volume and 50 per cent in costs compared to the year before, mainly due to higher production of moulded confectionery.

In response to this, during 2013 the factory management decided to install an ultrafiltration system. Substances that can be separated with ultrafiltration include: starch, protein, enzymes, polymers, colours, oily substances and gum arabic.

The system was installed in April 2013 and the result is a sharp decrease in COD in the wastewater and therefore also reduced environmental impact. It also led to a lower costs for wastewater treatment by around EUR 45,000 in 2013.

WASTEWATER

The volume of wastewater was 4.0 m³ (5.0) per produced tonne.

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

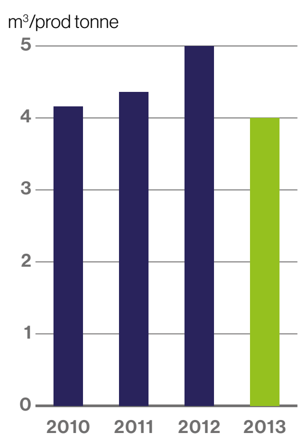
WASTE MANAGEMENT

All of Cloetta's production units pre-sort their waste. The goal is to continuously develop waste management and reduce the total volume of production waste and other waste. A decrease in raw material wastage has a positive impact on both the environment and the Group's total costs. At present, 71 per cent of the waste is recycled and the remaining 29 per cent is used for energy production.

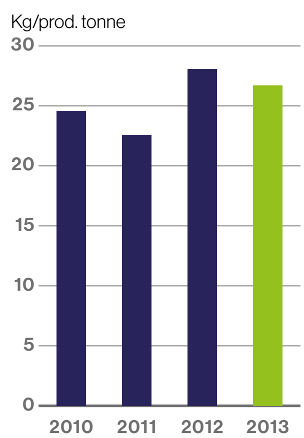
KEY ENVIRONMENTAL PERFORMANCE INDICATORS

	2010	2011	2012	2013
Total energy consumption, GWh	243	226	215	219
Energy consumption per produced tonne, MWh	2.27	2.32	2.23	2.21
CO_2 per produced kilo, kg	0.46	0.46	0.42	0.39
Wastewater per produced tonne, m^3	4.2	4.4	5.0	4.0
COD* per produced tonne, kg	24.6	22.6	28.1	26.7
Waste per produced tonne, kg	62	70	80	72
Recycled waste, %	63	64	49	71

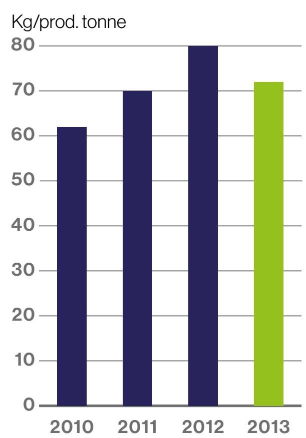
WASTEWATER



COD*



WASTE



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

Employees

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

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

EMPLOYEE SURVEY – GREAT PLACE TO WORK

To create an attractive workplace for all employees, it is essential to understand how the employees see their place of work. As a result, every other year Cloetta conducts an employee survey, Trust Index ©, in association with Great Place to Work.

According to Great Place to Work, the best workplaces are built through day-to-day relationships. In general, trust is the most important factor in these relationships. From the employees' perspective, a good workplace is one where they:

> TRUST the people they work for,
> have PRIDE in what they do, and
> ENJOY the people they work with.

In 2013 the employee survey was sent to all employees. The response rate to the questionnaire was 85 per cent and the Trust Index©, which is the overall KPI measured in the survey, was 60 per cent, which is an aggregate result from ten countries and nine factories.

The results collected by country/factory/department and will be discussed in detail at all workplaces in order to gather every possible idea for continuous improvement in the working climate for the employees and to create a "Great Place to Work".

THE RIGHT EXPERTISE

Cloetta is committed to continuously renewing the company's aggregate expertise. Competent employees that are given scope to realise their full potential create the conditions to maintain Cloetta's position as an attractive and innovative partner not only for the employees but also for the customers, suppliers and business partners. A learning-driven organisation that works in project form and the use of interdisciplinary teamwork in day-to-day activities are important components of Cloetta's skills development. All skills development is designed to support Cloetta's strategies, to be business-oriented and to promote the individual's interests and needs.

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

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

SUPPORT FOR REDUNDANT EMPLOYEES

The factory restructurings, resulting in the closure of three factories, and the integration process over the past two years have resulted in redundancies. Aside from public services and various insurance solutions, Cloetta has supported the redundant employees in finding new jobs.

All affected employees are offered outplacement through external partners. In addition, a number of other measures have been taken to further assist the employees. For example, in Gävle Cloetta created a website (www.nyamojligheter.se) in order to market the employees' expertise to other companies. Sales materials were also sent to around 100 local businesses. In Aura the employees were offered IT training and support in the job seeking process. They were also given the opportunity to take part in vocational certification for the food industry and to earn a diploma in health and safety.

Another consequence of the integration and factory restructurings is that many employees, primarily in Scandinavia, have been given new duties and have at the same time learned new processes and ways of working.

RELATIONSHIP BETWEEN THE COMPANY AND THE EMPLOYEES

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

Cloetta encourages a good balance between professional and personal life. It is important to help both men and women combine the demands of their jobs with responsibility for home and family. The Group therefore supports flexible work arrangements like flex-time and part-time hours, when possible.

A GOOD AND SAFE WORKING ENVIRONMENT

Efforts to improve and develop the working environment are a natural aspect of operational development and the goal is to create a good physical working environment and a healthy working climate where each individual can feel secure and pursue personal development. One essential part of a

Shared values

At the end of 2012 Cloetta formulated a new vision and mission combined with four core values as a step in developing Cloetta into a tangibly value- and culture-driven company. The vision is designed to inspire commitment and to serve as a guidepost for everyone in the company.

To increase understanding and inspire an emotional commitment, in 2013 Cloetta started a processes to carry out value discussion sessions for all employees. Together with their closest colleagues, each individual has thought through what the core values Focus, Teamplay, Passion and Pride stand for and what they mean in relation to their own working situation. The idea is to create a common culture and norms for behaviour, and thereby lead to idea-driven leadership. This should also support development of a collective expertise that facilitates a common approach and understanding of the employees' respective work duties. All employees in all commercial units and factories have taken part in these sessions.

secure working environment is to ensure that no one is subject to discrimination or sexual harassment. Cloetta aims to be a workplace where diversity and the different qualities, knowledge and skills of all employees are respected regardless of gender, religion, ethnic background, age, race, sexual orientation, etc.

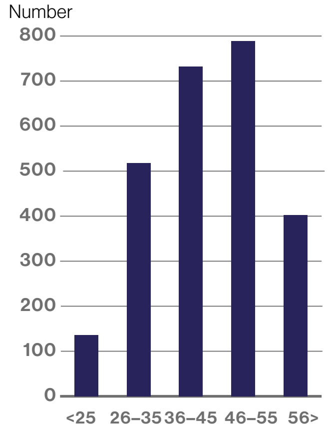
Employee safety is always the top priority. All factories carry out continuous risk assessments to minimise the risk for accidents. All incidents and injuries are followed up and reported. The Lean method is used to prevent and reduce production-related occupational injuries. Thanks to these systematic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

Each manager is responsible for avoiding occupational illnesses and accidents through follow-up and corrective measures. Cloetta has developed tools for early detection of signals that could be caused by illness and could lead to a risk for long-term absence.

NUMBER OF EMPLOYEES

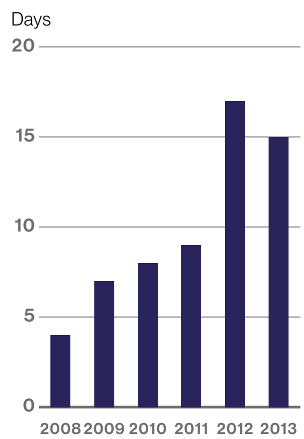
The average number of employees in 2013 amounted to 2,472 (2,579). The decrease is due to factory restructurings and the integration process. Of the total number of employees, 51 per cent are employed under collective agreements and 49 per cent are salaried employees.

AGE DISTRIBUTION



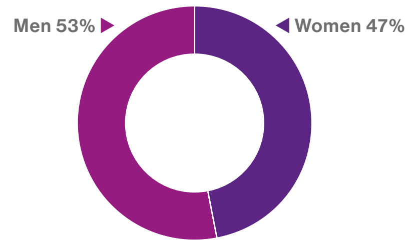
OCCAPATIONAL ACCIDENTS

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



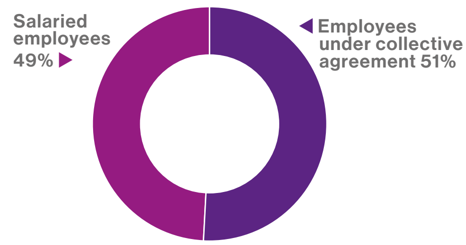
GENDER DISTRIBUTION

31 December 2013

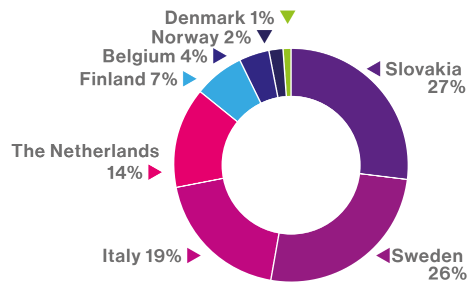


EMPLOYEE CATAGORIES

31 December 2013

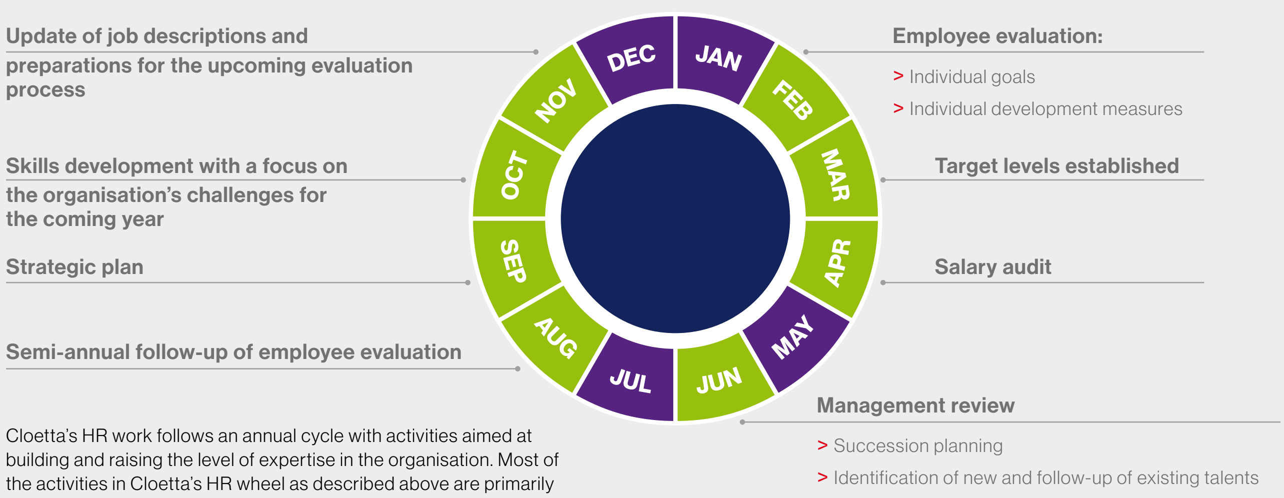


EMPLOYEES BY COUNTRY



EMPLOYEES	Sweden	Slovakia	Italy	The Nether-lands	Finland	Belgium	Norway	Denmark	Germany	UK	Other	Total
Average no. of employees	633	657	467	347	167	103	47	32	7	5	7	2,472
– of whom, women	302	439	213	87	34	21	27	16	4	4	5	1,152
Sickness absence, %,	3.6	6.1	4.8	5.8	2.9	5.4	3.7	3.0	1.2	–	–	4.8

CLOETTA'S HR WHEEL



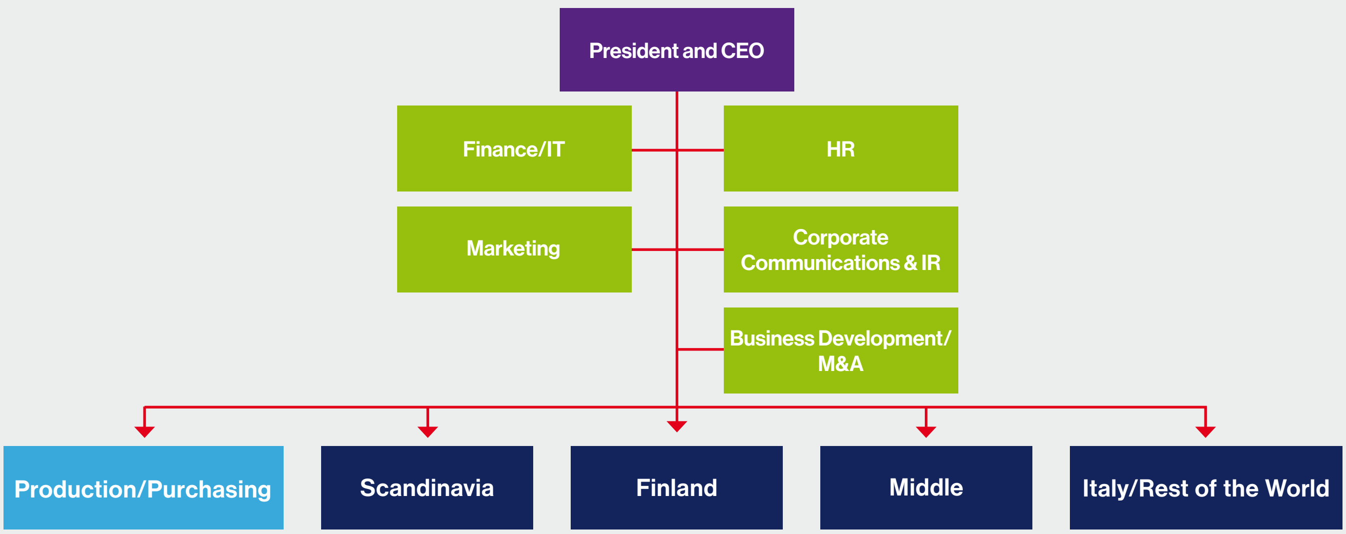
Cloetta's HR work follows an annual cycle with activities aimed at building and raising the level of expertise in the organisation. Most of the activities in Cloetta's HR wheel as described above are primarily attributable to salaried employees.

A FLAT ORGANISATION FOR SHORTER DECISION PROCESSES

Cloetta has around 2,500 employees in 13 countries who are active in sales and marketing, production, innovation and support functions. Cloetta's head office is located in Stockholm, Sweden. The organisation has evolved from a number of individual companies into a centrally led, locally managed group that is headed by a multinational management team.

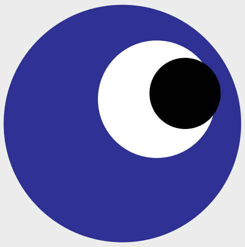
Cloetta is organised according to function and its commercial organisation is separate from the supply chain organisation. Personnel, finance and administrative units are found in each main market and serve as support functions for both the local sales and marketing organisation and for production. Responsibility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

ORGANISATION



Core values

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



Focus

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

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

Passion

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

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

Teamplay

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

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

Pride

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

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

Cloetta supports

Cloetta has always been permeated by a commitment to corporate responsibility. It is part of the company's culture and tradition to safeguard people, society and the environment.

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

LOCAL COMMITMENT

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

Cloetta continuously supports different types of projects and initiatives in the markets where we are represented.

The scope and focus of these projects vary over time. The projects and initiatives that the Group engages in should support an active and healthy lifestyle.

▷ Kexchoklad in the mountains

Since 1994 Kexchoklad collaborates with SkiStar to promote availability in the mountains during the skiing season. Through activities in the mountains, Kexchoklad wants to meet people in an outdoor environment and contribute to activity and exercise.

Through the Kexchoklad hunt, the entire family is activated in a skiing orientation where the aim is to search for large Kexchoklad letters that are hidden in the ski system. An average of 700 people take part in the Kexchoklad hunt every day during the season.

The first meeting with many visitors takes place at Cloetta's snack stations that are placed at the ski resorts in Lindvallen, Hundfjället, Björnrike and Vemdalsskalet. Kexchoklad also offers the opportunity to ski in special ski cross courses in Björnrike and Tandådalen.

In connection with the introduction of Kexchoklad Yoghurt in February 2014, a new application was launched on Facebook. Based on your current position, you are encouraged to move to a marked location. If you succeed, you have earned a Kexchoklad bar and a taste sample of Kexchoklad Yoghurt.

▷ Project Jenkki – for better dental health

Studies show that the dental health of Finnish young people has declined at an alarming rate. Dental care has lost priority and the advantages of xylitol have been forgotten. Cloetta wants to help stop this negative trend and during the year launched an online game, projektjenkki.fi, to encourage teenagers to take better care of their teeth. The game was launched in February 2013 via both traditional and new media in a major advertising campaign, and attracted widespread attention. In the game, the players have to perform daily dental care assignments.

Furthermore, a total of 380 oral hygienists, dental nurses and health teachers were recruited as Project Jenkki ambassadors and visited Finnish primary schools to convey the campaign's message via e-learning materials. In the Jenkki school, the pupils could simply test their knowledge about dental care and xylitol. When the campaign ended in November over 90 per cent of those that played the game said that they take better care of their teeth now, 60 per cent had increased their consumption of xylitol and 35 per cent are now brushing their teeth more often than before the game.

Hyvinkää School won a year's supply of Jenkki.

Table of contents, GRI

Indicators

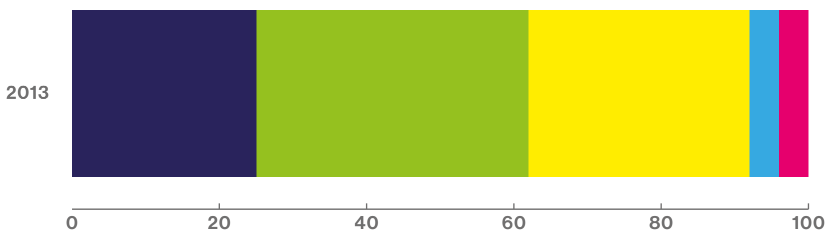
	Economic performance	Page
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	56
EC3	Coverage of the organisation's defined benefit plan obligations.	115
EC4	Significant financial assistance received from government.	Cloetta has the opportunity to receive indirect support from the public sector over a ten-year period through a tax credit in Slovakia.
	Environmental performance	
EN2	Percentage of materials used that are recycled input materials.	47
EN3	Direct energy consumption by primary energy source.	47
E16	Total direct and indirect greenhouse gas emissions by weight.	47
EN21	Total water discharge by quality and destination.	47
EN22	Total weight of waste by type and disposal method.	47
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None
	Social performance, employees	
LA1	Total workforce by employment type, employment contract, and region.	50
LA4	Percentage of employees covered by collective bargaining agreements.	50
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	50
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	48
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	50
	Social performance, human rights	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	44
HR4	Total number of incidents of discrimination and actions taken.	None
	In other respects not relevant, since Cloetta conducts operations only in countries where there are law protecting trade unions and prohibiting forced labour and child labour,	
	Social performance, society	
SO2	Percentage and total number of business units analysed for risks related to corruption.	88–89
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	None
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None
	Social performance, product responsibility	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	34
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	41

Economic impact

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

ECONOMIC VALUE GENERATED AND DISTRIBUTED (SEK M)	Stakeholders	2013	2012
Revenue	Customers	4,893	4,859
Other operating income	Business partners	12	13
Financial income including exchange differences	Business partners	12	25
Total generated value		**4,917**	**4,897**
Distributed as			
Personnel expenses	Employees	–1,245	–1,293
Raw materials and consumables used	Suppliers	–1,755	–1,914
Other operating costs	Suppliers/business partners	–1,487	–1,540
Financial expenses	Business partners	–220	–290
Income tax	Government	54	67
Profit/loss for the year		**264**	**–73**

ALLOCATION OF RESOURCES – TOTAL INCOME OF SEK 4,917m



- Remaining in the company, SEK 264m
- Government income tax, SEK –54m
- Dividends to shareholders – none
- Interest expenses, SEK 220m
- Other operating expenses, SEK 1,487m
- Costs for raw materials, SEK 1,755m
- Personnel expenses, SEK 1,245m

Goody Good Stuff – All natural candy

During the year Cloetta acquired the British candy company FTF Sweets Ltd. owning the brand Goody Good Stuff. The acquisition is in line with Cloetta's strategy to broaden the product range within the growing segment for natural candy.

Goody Good Stuff is an all-new natural gummy candy range that is made with plant-derived bio-gum technology, which eliminates the need for animal-based gelatin, which is used in most traditional gummy sweets.

Using this technology it is possible to produce a deliciously smooth and clear consistency in the gummy candy without the use of gelatin. This makes the Goody Good Stuff range the first of its kind on the market. In addition, all artificial colours and flavours have been replaced with natural fruit and vegetable extracts. Lastly, the company has removed all other harmful food additives to create a truly all natural alternative.

Goody Good Stuff is sold in over 15,000 stores, many of which are on the Internet, and is exported to 27 international resellers around the world.

GOODY GOOD STUFF IS:

> Fat free
> Free from food additives
> Nut free
> Soy free
> Gelatine free
> Meat free

Sandra Ice skating with grandpa **#Kexchoklad**

Share and shareholders

Cloetta's class B share has been listed on NASDAQ OMX Stockholm, Nordic List, since 16 February 2009.

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

SHAREHOLDERS[1]

At 31 December 2013 Cloetta AB had 6,321 shareholders (compared to 4,667 at 31 December 2012), of whom 646 were financial and institutional investors and 5,675 were private investors. Financial and institutional investors held 92.5 per cent of the votes and 90.3 per cent of the share capital. There were 307 foreign shareholders, who accounted for 18.2 per cent of the votes and 23.8 per cent of the share capital. The ten principal shareholders accounted for 73.1 per cent of the votes and 64.9 per cent of the share capital.

At 31 December 2013, AB Malfors Promotor was Cloetta's largest shareholder with a holding representing 41.0 per cent of the votes and 22.9 per cent of the share capital in the company. The second largest shareholder was AMF Försäkring och Fonder with 11.2 per cent of the votes and 14.7 per cent of the share capital, and the third largest shareholder was Lannebo Fonder with 7.1 per cent of the votes and 9.3 per cent of the share capital.

During the year, the former second and third largest shareholders since the merger with LEAF in February 2012, Cidron Pord S.á.r.l, (owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (owned by funds under the advisorship of CVC Capital Partners), sold their entire shareholdings in Cloetta.

SHARE PRICE AND TRADING[2]

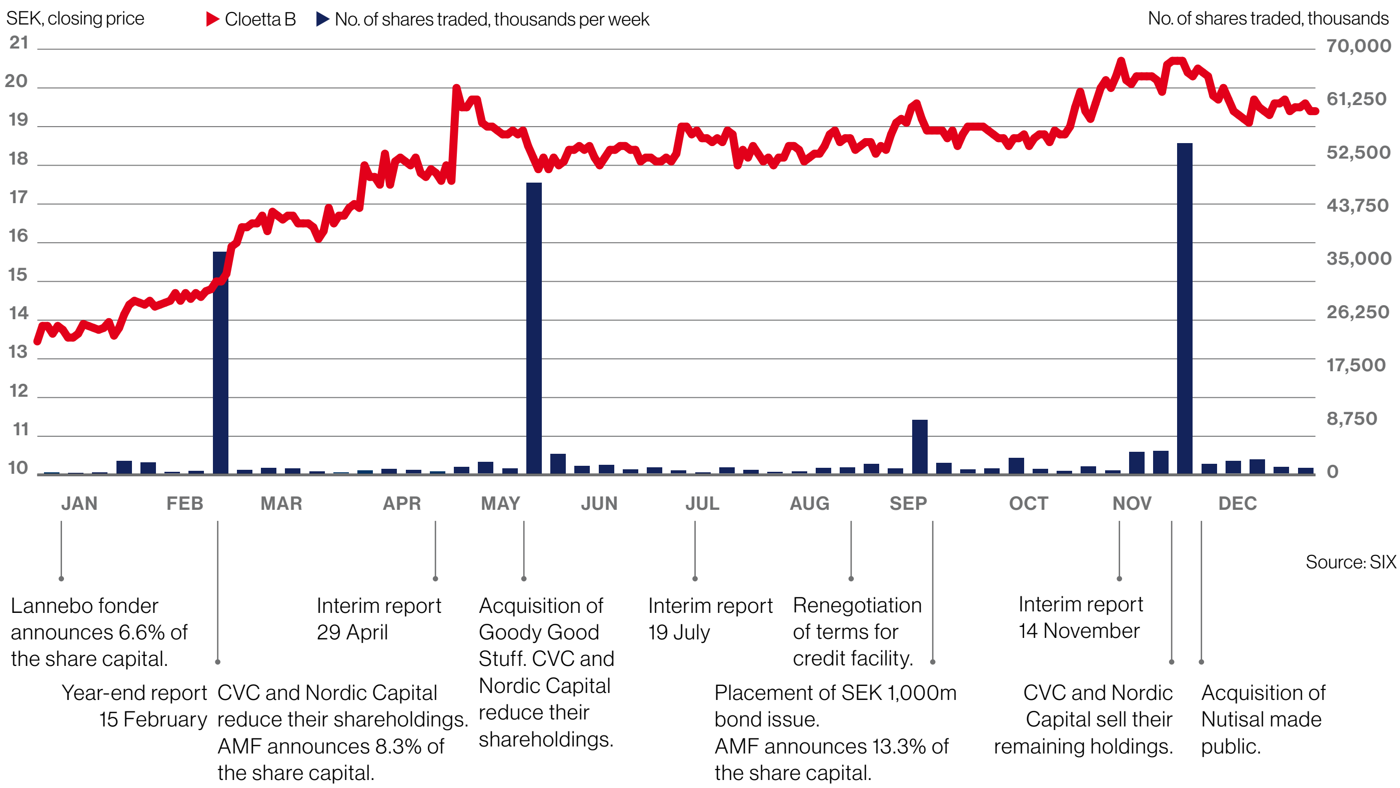
Cloetta's class B share has been listed on NASDAQ OMX Stockholm (Small Cap) since 16 February 2009. On 2 July 2012, NASDAQ OMX Stockholm moved Cloetta from the Small Cap to the Mid Cap list. The Mid Cap segment includes companies with a market capitalisation of between EUR 150m and EUR 1 billion.

During the period from 1 January to 31 December 2013, 199,466,588, shares were traded for a combined value of SEK 3,565m, equal to around 72 per cent of the total number of class B shares on NASDAQ OMX Stockholm at the end of the period. During the same period, 105,991 class B shares were traded on Burgundy for a value of SEK 1.9m.

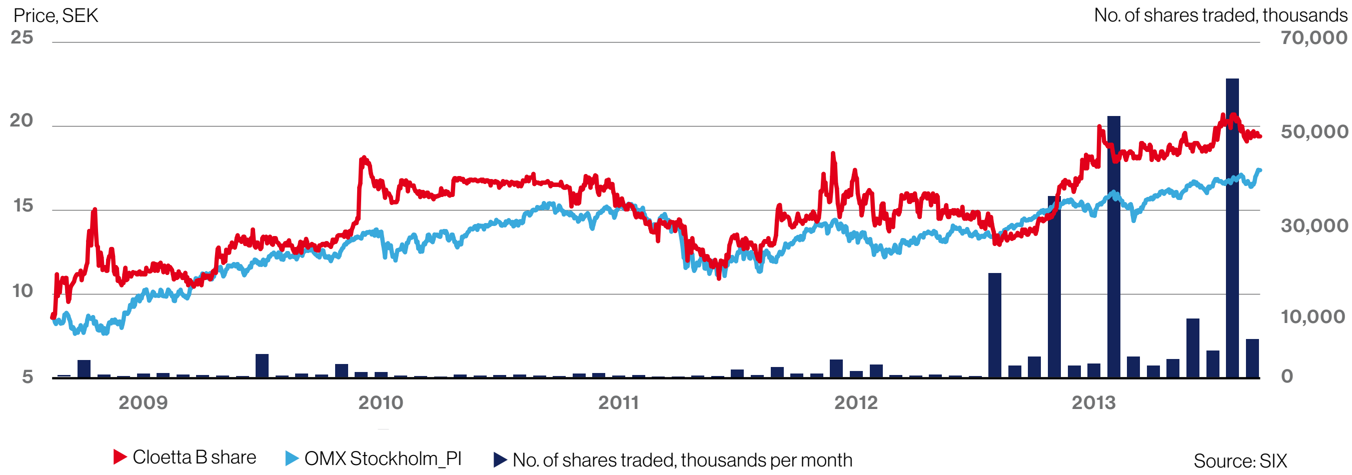
The highest quoted bid price during the period from 1 January to 31 December 2013 was SEK 21.60 on 28 October and the lowest was SEK 13.30 on 3 January. The share price on 31 December 2013 was SEK 19.40 (last price paid). During the period from 1 January

1 Source: Euroclear
2 Source: NASDAQ OMX Stockholm.

Share price performance during the year



Share price performance from the date of listing until 31 December 2013*



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

to 31 December 2013, Cloetta's share price rose by 44 per cent, while NASDAQ OMX Stockholm PI rose by 23 per cent.

SHARE CAPITAL AND CAPITAL STRUCTURE

Cloetta's share capital at 31 December 2013 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares, equal to a quota value of SEK 5 per share. According to the Articles of Association, the share capital shall amount to at least SEK 400,000,000 and at most SEK 1,600,000,000, divided between not fewer than 80,000,000 shares and not more than 320,000,000 shares.

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

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

The stated percentages for Malfors Promotor's conversion undertaking apply on a fully diluted basis for the outstanding incentive schemes in Cloetta. Furthermore, the shares that have been acquired by Malfors Promotor after 15 March 2012 (the settlement date for the rights issue that was carried out in connection with the merger between Cloetta and LEAF) will not be included in the calculation.

For more information about incentive schemes, see pages 73 and 105.

SHAREHOLDER AGREEMENT

Former shareholder agreement between Malfors Promotor, CVC and Nordic Capital

In connection with the merger between Cloetta and LEAF in February 2012, a shareholder agreement was signed between the three principal shareholders Malfors Promotor, CVC and Nordic Capital regarding these parties' shareholdings in Cloetta. Because Cidron Pord S.á.r.l. (which is owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (which is owned by funds under the advisorship of CVC Capital Partners) successively reduced their interests in the company during 2013 and at year-end had sold their entire shareholdings, the shareholder agreement has ceased to apply.

Shareholder agreement between Malfors Promotor and Fazer et al. regarding prohibition on purchasing shares in Cloetta

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

INDIVIDUALS WITH AN INSIDER POSITION

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

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

SILENT PERIODS

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

Development of the share capital

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

Source: Euroclear

Ten largest shareholders at 31 December 2013

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
AB Malfors Promotor	41.0	22.9	66,063,560	9,855,934	56,207,626
AMF Försäkring och Fonder	11.2	14.7	42,412,075	0	42,412,075
Lannebo Fonder	7.1	9.3	26,763,570	0	26,763,570
JPM Chase NA	2.7	3.6	10,320,479	0	10,320,479
Handelsbanken Fonder	2.5	3.2	9,368,962	0	9,368,962
Odin Sverige Aksjefondet	2.2	2.9	8,425,030	0	8,425,030
UBS Securities	1.9	2.5	7,142,352	0	7,142,352
JP Morgan Bank	1.8	2.3	6,682,957	0	6,682,957
Danske Capital Sverige AB	1.4	1.8	5,300,104	0	5,300,104
Ulla Håkanson	1.3	1.7	5,000,000	0	5,000,000
Total, 10 largest shareholders	**73.1**	**64.9**	**187,479,089**	**9,855,934**	**177,623,155**
Other shareholders	26.9	35.1	101,140,210	5,680	101,134,530
Total	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**

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

Size categories at 31 December 2013

	No. of shareholders	Total no. of shares	No. of A shares	No. of B shares	% of capital	% of votes
1–100	1,517	72,718	76	72,642	0.0	0.0
101–500	1,630	497,330	1,945	495,385	0.2	0.1
501–10,000	2,684	6,907,512	3,425	6,904,087	2.4	1.8
10,001–50,000	281	6,699,075	0	6,699,075	2.3	1.8
50,001–	209	274,442,664	9,856,168	264,586,496	95.1	96.3
Total	**6,321**	**288,619,299**	**9,861,614**	**278,757,685**	**100**	**100**

Source: Euroclear

Shareholder categories at 31 December 2013

	% of votes	% of capital	No. of shareholders	Shareholders, %
Private investors	7.5	9.7	5,675	89,8
Of which, Swedish	7.4	9.6	5,624	89,0
Financial and institutional	92.5	90.3	646	10,2
Of which, Swedish	74.4	66.6	390	6,2
Total	**100**	**100**	**6,321**	**100**
Of which, Swedish	81.8	76.2	6,014	95,2

Source: Euroclear

Shareholders by country at 31 December 2013

	No. of shareholders	% of votes	% of capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	6,014	81.8	76.3	220,105,005	9,861,614	210,243,391
United Kingdom	38	9.4	12.4	35,655,637	0	35,655,637
USA	38	4.7	6.2	17,820,151	0	17,820,151
Finland	50	1.0	1.3	3,721,678	0	3,721,678
Monaco	1	0.7	0.9	2,723,400	0	2,723,400
Other countries	180	2.4	2.9	8,593,428	0	8,593,428
Total	**6,321**	**100**	**100**	**288,619,299**	**9,861,614**	**278,757,685**

Source: Euroclear

INVESTOR RELATIONS

In connection with the interim reports during 2013, Cloetta has featured webcasts of press and analyst conferences and held meetings with analysts and investors in Stockholm, New York and London.

The following analysts regularly monitor Cloetta's development:

> Carnegie, Fredrik Villard
> Carnegie, Christian Hellman
> Danske Bank, Mikael Holm
> Deutsche Bank, Alya Korotonozhkina
> Handelsbanken, Peter Wallin
> SEB, Christopher Lyrhem
> SEB, Stefan Nelson

Credit analysts:

> Handelsbanken, Ola Eriksson
> Nordea, Rickard Hellman

INCENTIVE SCHEMES

Call options

Cloetta's principal shareholders following the merger – Malfors Promotor, CVC and Nordic Capital (through holding companies) – have informed Cloetta's Board of Directors that individuals in the Group Management Team and one other key employee in the Group have acquired call options on market-based terms. The call options have been issued by the principal shareholders in order to promote commitment to the company's development. The call options will expire during three different time periods, the first in December 2013, the second in December 2014 and the third in December 2015. The options comprise the aggregate of 10,167,542 class B shares in the company at 31 December 2013 (subject to recalculation according to the customary terms). The second and third tranche can only be settled in cash and not in shares, see Note 21. Cloetta is not contributing to the call option scheme and will not incur any costs related to the scheme. The call option scheme will not lead to any dilution of the current shareholders' holdings.

For information about the executive management's holdings of call options at 31 December 2013, see "Group Management Team", on pages 92–93.

Share-based long-term incentive plan (LTI2013)

The Annual General Meeting on 11 April 2013 approved the Board's proposal to implement a share-based long-term incentive plan (LTI 2013). 61 employees consisting of the Group Management and other key employees were offered the opportunity to participate in LTI 2013. To participate in LTI 2013, a personal shareholding in Cloetta is required. Following a defined vesting period, the participants will be allocated class B shares in Cloetta free of charge provided that certain conditions are fulfilled. In order for so-called matching share rights to entitle the participant to receive class B shares in Cloetta, continued employment with the company three years after the date of grant and continuous maintenance of a personal shareholding are required. In addition, allocation of class B shares on the basis of performance share rights is conditional on the attainment of two performance targets, of which one is related to Cloetta's EBIT and the other to Cloetta's net sales value. A total of 45 employees have chosen to participate in LTI 2013. Based on the number of participants, a maximum of 823,500 class B shares in Cloetta may be allocated under the terms of LTI 2013 (subject to possible recalculation), which is equal to approximately 0.3 per cent of the outstanding shares and 0.2 per cent of the outstanding votes, see Note 21 on page 119.

DIVIDEND

Dividend policy

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

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

In the coming years the main focus will be on using the company's strong cash flows in order to repay bank loans, but also to finance potential acquisitions.

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

Chairman's comments

The major process of change that was started at Cloetta during 2012 continued throughout 2013. As I sum up 2013, I am happy to say that most of the goals the company set out to accomplish two years ago have now been achieved. All this has resulted in a significant boost in profitability, fully in line with our expectations.

SUBSTANTIAL CHANGES IN OWNERSHIP

In the past year the company has also undergone substantial changes in ownership as the formerly second and third largest shareholders, CVC Capital Partners and Nordic Capital, chose to successively divest their entire holdings, wholly according to our intentions in connection with the merger between Cloetta and LEAF. Our collaboration with them has functioned superbly in the Board and I would therefore like to extend my special gratitude for the efforts they have laid down to ensure that Cloetta has developed into the company that it is today. A large number of new shareholders were also added during the year, in both Sweden and other countries, which shows that there are many people who believe in Cloetta as a company.

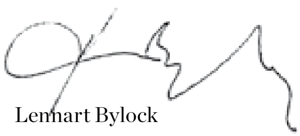
CORPORATE GOVERNANCE CREATES ORDER AND SYSTEMS

The Board's foremost responsibility to the shareholders is to ensure that the company is managed as effectively as possible in the interests of the shareholders, but also that Cloetta complies with the rules required by legislators and the stock exchange, among other things in the form of corporate governance. Corporate governance is also aimed at creating order and systems for both the Board and the management. In addition, by having well defined structures, rules and processes we can ensure that the management and employees are focused on developing our business. In the past year the Board's work has concentrated on supporting our management team through the process of change, and we have also prioritised activities surrounding the company's refinancing.

SUCCESSFUL CHANGES

I am proud and pleased that the process of change and restructuring that Cloetta has undergone in the past few years has been carried out so outstandingly. I would therefore like to extend my heartfelt thanks to the CEO, the management team and all employees for a job well done. Without your contributions it would not have been possible to carry out changes of this magnitude. Against this background, I am convinced that we have laid a strong foundation for a continued highly successful Cloetta.

Stockholm, March 2014



Lennart Bylock
Board Chairman

Contents of formal annual report

ADMINISTRATION REPORT

FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Administration report

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

INFORMATION ABOUT OPERATIONS

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

Consolidated accounts

These annual accounts include the consolidated financial statements of the Cloetta Group for the period from 1 January to 31 December 2013. Since Cloetta's acquisition of LEAF is regarded as a reverse acquisition, the consolidated comparable figures up to 15 February 2012 are those for Cloetta Holland B.V. (formerly known as Leaf Holland B.V.).

The consolidated comparative figures from 16 February 2012 onwards are those for both Cloetta Holland B.V. and the former Cloetta Group. For this reason, the comparative figures for the full year are not entirely comparable.

The comparative figures for the Parent Company are those for the legal acquirer, i.e. Cloetta AB (publ). For the Parent Company, these annual accounts cover the period from 1 January to 31 December 2013 in accordance with the Parent Company's financial year. The comparative figures for the Parent Company cover the period from 1 September 2011 to 31 December 2012 in accordance with the Parent Company's previous financial year. For this reason the comparative figures are not entirely comparable.

Market

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

Production

At 31 December 2013 the Group had ten production units in five countries.

Brands

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

Organisational structure

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

Vision and strategy

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

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

THE GROUP'S LONG-TERM TARGETS

Organic sales growth

The long-term target is to grow organic sales at least in line with the market. Historically, total annual growth in the markets where Cloetta is active has been 1–2 per cent. In the second half of 2013, Cloetta's organic growth was 1.5 per cent, but a decrease in contract manufacturing and to some extent weak market development during the first half of the year led to a decline in organic net sales for the full year by 1.0 per cent.

EBIT margin

The goal is an underlying EBIT margin of at least 14 per cent. The margin has improved substantially during the year as a result of the cost and efficiency synergies from the merger and the factory restructurings. The underlying EBIT margin improved from 8.7 per cent in 2012 to 12.0 per cent in 2013.

Net debt

The long-term goal for net debt is a net debt EBITDA ratio of around 2.5. During the year Cloetta has decreased its net debt/underlying EBITDA. Improved earnings growth and strong cash flows are expected to contribute to achieving the goal for net debt EBITDA within two years. Cloetta's net debt/underlying EBITDA ratio at 31 December 2013 was 4.2 (5.1).

THE GROUP'S LONG-TERM TARGETS

SEKm	31 Dec 2013	31 Dec 2012
Equity	3,747	3,326
Profit for the year	264	–73
Organic sales growth	–1.0	–4.1
Underlying EBIT margin	12.0%	8.5%
Net debt/underlying EBITDA	4.2x	5.1x

PARENT COMPANY

Cloetta AB's activities consist primarily of head office functions such as group-wide management and administration, see page 132.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

SEKm	Note	2013	2012
Net sales	2	4,893	4,859
Cost of goods sold	4	–3,081	–3,157
Gross profit		**1,812**	**1,702**
Other income	2	12	13
Selling expenses	4	–850	–888
General and administrative expenses	4	–556	–702
Operating profit		**418**	**125**
Exchange differences on borrowings and cash and cash equivalents in foreign currencies	9	–12	20
Other financial income	9	24	5
Other financial expenses	9	–220	–290
Net financial items		**–208**	**–265**
Profit before tax		**210**	**–140**
Income tax	10	54	67
Profit for the year		**264**	**–73**
Profit for the period attributable to:			
Owners of the Parent Company		264	–73
Earnings per share, SEK			
Basic[1]	20	0.92	–0.26
Diluted[1,2]	20	0.92	–0.26
Number of shares at end of period		288,619,299	288,619,299
Average numbers of shares (basic)[2]		288,010,947	276,132,021
Average numbers of shares (diluted)[2]		288,026,408	276,132,021

1 The comparative earnings per share are not representative for the current group due to the rights issue carried out in the second quarter of 2012.

2 Cloetta entered into a long-term forward contract to repurchase own shares to fulfil its future obligation to deliver shares to the participants in the long-term share-based incentive plan.
Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contract to repurchase own shares. The forward contract to repurchase own shares covers a total of 1,037,610 Cloetta AB shares for an amount of SEK 18.50678 per share.

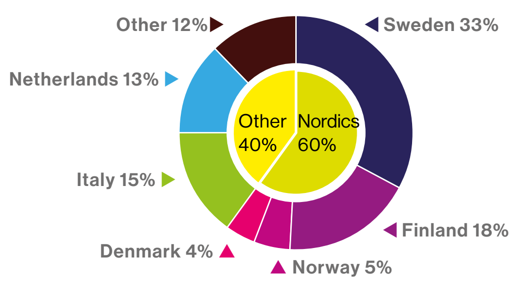
NET SALES AND PROFIT

NET SALES

Net sales for the full year rose by SEK 34m to SEK 4,893m (4,859) compared to last year. The increase in net sales in 2013 compared to 2012 is attributable to the merger between Cloetta and LEAF that took place in February 2012.

Underlying net sales fell by 1.0 per cent for the full year, but increased during the second half of the year. The drop in sales during the first half of the year was mainly due to the decrease in contract manufacturing, but to some extent also weak market conditions. All markets except Norway, the Netherlands and the UK grew during 2013.

NET SALES BY COUNTRY



GROSS PROFIT

Gross profit amounted to SEK 1,812m (1,702), which is equal to a gross margin of 37.0 per cent (35.0).

OPERATING PROFIT

Operating profit was SEK 418m (125). The increase is a result of the merger and factory restructurings.

Underlying EBIT

Underlying EBIT increased to SEK 591m (423).

Items affecting comparability

Operating profit for the full year includes total items affecting comparability of SEK –173m (–298). These consist of restructuring costs of SEK –167m (–309) and exchange rate differences of SEK –6m (9). See also Note 7.

Research and development

Research and development (R&D) is primarily focused on the creation of new packaging designs and brand varieties within the framework of the existing product range. The profit and loss account for 2013 was charged with R&D expenses of SEK 33m (30). No expenses for research and development have been capitalised.

NET FINANCIAL ITEMS

Net financial items for the year amounted to SEK –208m (–265). The improvement is mainly a result of lower interest expenses on loans from former shareholders in LEAF. These loans were converted into equity on 15 February 2012, for which reason no interest arose in 2013. Total interest on these loans last year amounted to SEK –61m. In addition to the impact of the lower interest expenses, net financial items were positively affected by lower amortisation of financing costs of SEK 37m (52) despite full amortisation of the Senior A related financing cost in the third quarter of 2013 of SEK 18m. The interest expenses on borrowings (including the impact of interest swaps) had a positive effect on net financial items of SEK 13m. Net financial items were negatively affected by exchange differences on borrowings and cash amounting to SEK –12m (20).

PROFIT FOR THE YEAR

Profit for the year was SEK 264m (–73), which is equal to basic and diluted earnings per share of SEK 0.92 (–0.26). Income tax for the year was SEK 54m (67). During the year, positive effects resulting from one-off events were recognised in the tax line.

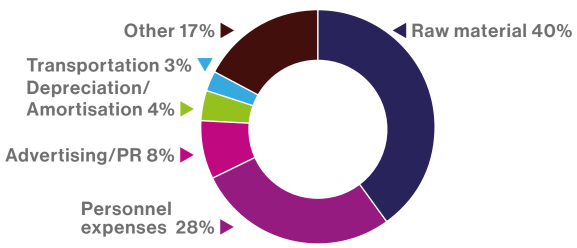
KEY RATIOS

%	2013	2012
Gross margin	37.0	35.0
Operating profit margin	8.5	2.6
Return on capital employed[1]	6.1	1.9
Return on equity	7.0	–2.2

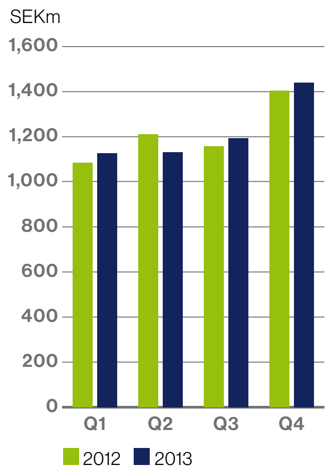
1 The comparative figures have been restated.

For definitions, see page 152.

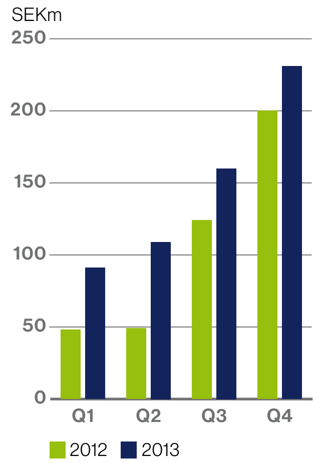
OPERATING EXPENSES



NET SALES



UNDERLYING EBIT



Consolidated statement of comprehensive income

SEKm	2013	2012
Profit for the period	**264**	**–73**
Other comprehensive income		
Remeasurements of defined benefit pension plans	86	–100
Income tax on other comprehensive income that will not be reclassified subsequently to profit and loss for the period	–19	30
Items that will not be reclassified to profit or loss for the period	**67**	**–70**
Hedge of a net investment in a foreign operation	–54	–
Currency translation differences	148	–68
Income tax on other comprehensive income that will be reclassified subsequently to profit and loss for the period	12	–
Items that are or may be reclassified to profit or loss for the period	**106**	**–68**
Total other comprehensive income	**173**	**–138**
Total comprehensive income, net of tax	**437**	**–211**
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	437	–211

Quarterly data

	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3	Q2	Q1
Net sales, SEKm	4,893	1,441	1,194	1,131	1,127	4,859	1,404	1,159	1,212	1,084
Operating profit, SEKm	418	175	131	54	58	125	82	90	–53	6
Operating margin, %	8.5	12.1	11.0	4.8	5.1	2.6	5.8	7.8	–4.4	0.6

SEASONAL VARIATIONS

Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are affected by the Easter holiday, depending on in which quarter it occurs. There were limited seasonal variations due to the Easter holiday in a comparison between 2012 and 2013. In the fourth quarter, sales are usually higher than in the first three quarters of the year which is mainly attributable to the sale of products in Sweden and Italy in connection with the holiday season.

CONSOLIDATED BALANCE SHEET

SEKm	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets	11	5,252	5,099
Property, plant and equipment	12	1,660	1,611
Deferred tax asset	13	73	473
Other financial assets	14	91	88
Total non-current assets		**7,076**	**7,271**
Current assets			
Inventories	15	798	773
Trade receivables	16	810	825
Other receivables	16	87	93
Prepaid expenses and accrued income	16	36	33
Current income tax assets	13	0	4
Cash and cash equivalents	17	167	306
Total current assets		**1,898**	**2,034**
Assets held for sale	18	15	35
TOTAL ASSETS		**8,989**	**9,340**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,443	1,443
Other paid in capital		4,124	4,124
Translation difference reserve		36	–70
Retained earnings including profit for the year		–1,856	–2,171
Equity attributable to owners of the Parent Company	19	**3,747**	**3,326**
Non-current liabilities			
Borrowings	23	3,096	2,516
Deferred tax liability	13	397	824
Derivative financial instruments	25	21	3
Other non-current liabilities	24	2	–
Provisions for pensions and other long-term employee benefits	21	360	452
Provisions	22	7	11
Total non-current liabilities		**3,883**	**3,806**
Current liabilities			
Borrowings	23	212	747
Derivative financial instruments	25	2	21
Trade payables	26	388	657
Other payables	26	138	156
Provisions	22	79	79
Accrued expenses and deferred income	26, 27	441	451
Current income tax liabilities	13	99	97
Total current liabilities		**1,359**	**2,208**
TOTAL EQUITY AND LIABILITIES		**8,989**	**9,340**
Contingent liabilities	32	51	30

For the pledged assets, see Note 23 regarding borrowings.

FINANCIAL POSITION

ASSETS

Total assets at 31 December 2013 amounted to SEK 8,989m, a decrease of SEK 351m compared to the previous year.

Intangible assets

Intangible assets totalled SEK 5,252m (5,099). The year's investments amounted to SEK 29m (29). Amortisation is reported at SEK –18m (–14). Exchange differences on capitalised intangible costs amounted to SEK 106m (–131). Of total intangible assets, SEK 5,152m pertained to consolidated goodwill and trademarks. Other intangible assets referred mainly to software, which is capitalised when the expenses are expected to generate future economic benefits. Internally generated costs for trademarks are not capitalised. Neither goodwill nor trademarks are amortised, but are instead tested for impairment at least yearly. On the balance sheet date at 31 December 2013, there was no indication of impairment. See also Note 11.

Property, plant and equipment (PP&E) amounted to SEK 1,660m (1,611). The year's investments totalled SEK 182m (240), of which SEK 3m (7) referred to land and buildings and SEK 179m (233) to machinery and equipment. The year's investments in property, plant and equipment referred primarily to investments arising from the decision to close factories and move production to other factories in the Group. In addition, continuous efficiency-enhancing and replacement investments are made on the existing production lines. Depreciation amounted to SEK 159m (152).

Financial assets amounted to SEK 91m (88) and deferred tax assets amounted to SEK 73m (473).

Current assets

Current assets amounted to SEK 1,898m, down by SEK 136m.

Assets held for sale consist of the Zola Predosa factory in Italy, which was available for sale at 31 December 2013.

EQUITY AND LIABILITIES

Equity in the Group rose during the year from SEK 3,326m to SEK 3,747m. On the balance sheet date, the share capital amounted to SEK 1,443m. The equity/assets ratio on the same date was 41.7 per cent (35.6).

Liabilities

Non-current liabilities, consisting mainly of loans to credit institutions and senior secured notes, amounted to SEK 3,883m (3,806), which corresponds to an increase of SEK 77m compared to the previous year.

Current liabilities are reported at SEK 1,359m (2,208), of which SEK 388m (657) referred to trade payables, SEK 212m (747) to borrowings and SEK 759m (804) to other current liabilities.

See Note 1 for complete disclosures on the impact of the merger between Cloetta and LEAF on the balance sheet items.

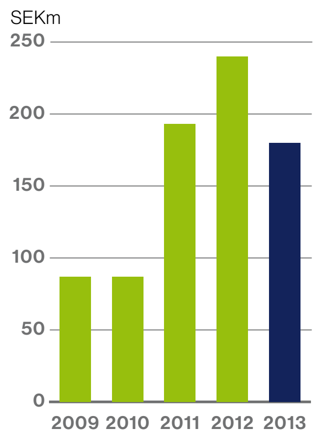
NET DEBT

Interest-bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 3,230m (3,056).

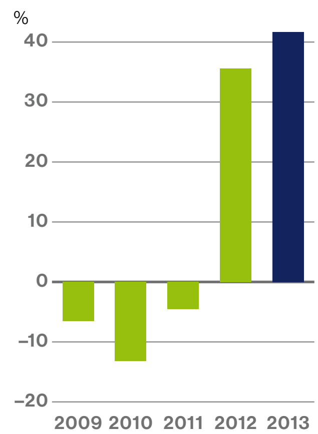
The net debt/equity ratio on the balance sheet date was 86.2 per cent (91.9).

SEKm	31 Dec 2013	31 Dec 2012
Gross non-current borrowings	2,144	2,571
Gross current borrowings	135	360
Credit overdraft facility	73	406
Senior secured notes	1,000	–
Derivative financial instruments (current and non-current)	23	24
Interest payable	22	1
Gross debt	**3,397**	**3,362**
Cash and cash equivalents	–167	–306
Net debt	**3,230**	**3,056**

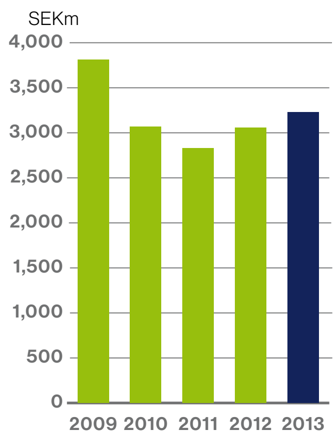
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT



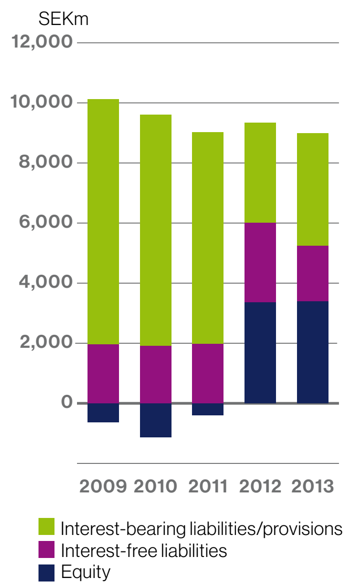
EQUITY/ASSETS RATIO



NET DEBT



FINANCIAL POSITION



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other paid-in capital	Translation differences reserve	Retained earnings	Total equity
Balance at 1 January 2012	**122**	**1,604**	**–2**	**–2,109**	**–385**
Comprehensive income					
Profit for the year	–	–	–	–73	–73
Other comprehensive income	–	–	–68	–70	–138
Total comprehensive income for 2012	**–**	**–**	**–68**	**–143**	**–211**
Transactions with owners					
Capital contribution	–	3,441	–	81	3,522
Business combinations[1]	826	–1,493	–	–	–667
Conversion of convertible loan	2	9	–	–	11
Rights issue	493	563	–	–	1,056
Total transactions with owners	**1,321**	**2,520**	**–**	**81**	**3,922**
Balance at 31 December 2012	**1,443**	**4,124**	**–70**	**–2,171**	**3,326**
Comprehensive income					
Profit for the year	–	–	–	264	264
Other comprehensive income	–	–	106	67	173
Total comprehensive income for 2013	**–**	**–**	**106**	**331**	**437**
Transactions with owners					
Forward contract to repurchase own shares	–	–	–	–19	–19
Share-based payments	–	–	–	3	3
Total transactions with owners	**–**	**–**	**–**	**–16**	**–16**
Balance at 31 December 2013	**1,443**	**4,124**	**36**	**–1,856**	**3,747**

1 The amount reported in business combinations in 2012 consists of:	
- The assessed value of the acquired Cloetta company	833
- The issue in kind of class C shares (see change in equity for the Parent Company)	2,556
- The hypothetical repurchase of shares (reverse acquisition)	–4,056
	–667

See Note 19 for a further information about movements in equity.

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

SHARES, SHAREHOLDERS AND DIVIDEND

NUMBER OF SHARES AND QUOTA VALUE

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

The number of shares authorised, issued and fully paid at 31 December 2013 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares. Each A share grants the right to ten votes and each B share to one vote in the shareholders meetings.

LARGEST SHAREHOLDERS

On 31 December 2013 Cloetta AB (publ) had 6,321 shareholders (4,667 at 31 December 2012). The largest shareholder was AB Malfors Promotor with a holding corresponding to 41.0 per cent of the votes and 22.9 per cent of the share capital in the company. Other institutional investors held 51.5 per cent of the votes and 67.4 per cent of the share capital.

Foreign shareholders held 18.2 per cent of the votes and 23.8 per cent of the share capital.

In the fourth quarter the previous second and third largest shareholders Cidron Pord S.á.r.l. (owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (owned by funds under the advisorship of CVC Capital Partners) sold all their shareholdings. As of 31 December 2013 AMF Försäkring och Fonder was the second largest shareholder with a holding corresponding to 11.2 per cent of the votes and 14.7 per cent of the share capital. The third largest shareholder was Lannebo Fonder with a holding corresponding to 7.1 per cent of the votes and 9.3 per cent of the share capital in the company.

Furthermore, there is a shareholder agreement between Malfors Promotor and Fazer et al. which prohibits Fazer et al. from purchasing shares in Cloetta AB (publ) as long as Malfors Promotor holds more than 30 per cent of the voting rights.

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

ARTICLES OF ASSOCIATION

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

EARLIER CONVERTIBLE NOTE PROGRAMME

Cloetta's earlier SEK 30m convertible note programme for the employees ran from 14 May 2009 to 30 March 2012. The convertible notes could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. A total of 567,279 shares had been issued as a result when the loan expired, which is equal to a total increase in the share capital by SEK 3m and an increase in the share premium reserve by SEK 14m.

DIVIDEND

The long-term intention is to distribute 40–60 per cent of profit after tax. In the coming years, the main focus will be on using the company's strong cash flows in order to repay bank loans, but also to finance potential acquisitions.

The Board of Directors proposes that no dividend be paid and that the full profit be carried forward to new account.

CONSOLIDATED CASH FLOW STATEMENT

SEKm	Note	2013	2012
Operating profit		**418**	**125**
Adjustments for non-cash items	28	152	260
Interest received		2	2
Interest paid		–116	–192
Proceeds on derivative financial instruments		–22	–12
Income tax paid		–26	–27
Cash flow from operating activities before changes in working capital		**408**	**156**
Cash flow from changes in working capital			
Change in inventories		–6	–38
Change in trade and other receivables		37	153
Change in trade and other payables		–308	59
Cash flow from operating activities		**131**	**330**
Investing activities			
Acquisition of subsidiaries		–25	–1,231
Divestments of subsidiaries		0	47
Loans granted to related parties		0	–70
Investments in property, plant and equipment	12	–182	–240
Investments in intangible assets	11	–29	–29
Disposals of property, plant and equipment	12, 18	34	17
Cash flow from investing activities		**–202**	**–1,506**
Cash flow from operating and investing activities		**–71**	**–1,176**
Financing activities			
Repayment of borrowings		–1,056	–371
Proceeds from borrowings (net of financing cost)		–	727
Senior secured notes issue (net of transaction cost)		991	–
New share issue		–	1,056
Cash flow from financing activities		**–65**	**1,412**
Cash flow for the year		**–136**	**236**
Cash and cash equivalents at beginning of year	17	**306**	**97**
Cash flow for the year		–136	236
Exchange difference		–3	–27
Cash and cash equivalents at end of year	17	**167**	**306**

CASH FLOW

CASH AND CASH EQUIVALENTS

Cash and cash equivalents and short-term investments on the balance sheet date amounted to SEK 167m (306). Cloetta's working capital requirement is exposed to seasonal variations, partly resulting from a build-up of inventories in preparation for increased sales during the Christmas holiday. This means that the working capital requirement is normally highest during the autumn and lowest at year-end.

OPERATING ACTIVITIES

Cash flow from operating activities before changes in working capital was SEK 408m (156), reflecting the full year effect of an improved underlying profitability and lesser exceptional costs. Movement of working capital was SEK –277m (174) where a majority of the negative movement relates to payables (see below). Cash flow from operating and investing activities for the year was SEK –71m (–1,176).

The decrease is caused by a lower level of payables compared to a high level at the end of 2012. At year-end 2012, the payables were high due to the large investments and expenses related to the manufacturing strategy and payables associated with the build-up of safety stock related to the Aura plant closure. In addition, the changed payment terms in Italy resulted in a lower level of payables in 2013 compared to 2012 as the new regulation did not reach full effect in 2012. The level of payables at the end of 2012 was high and of a one-off nature, and was more normalised at the end of 2013.

INVESTING ACTIVITIES

Cash flow from investing activities was SEK –202m (–1,506). The improvement in cash flow from investing activities is mainly the result of significant one-off cash outflows in 2012. In 2012, cash flow from investing activities included the net proceeds from Cloetta's reverse acquisition of LEAF in an amount of SEK 169m, as well as repayment of the vendor loan note of SEK –1,400m and proceeds from the disposals of Leaf Belgium Distribution and Leaf Ejendomsselskab in an amount of SEK 47m.

The total cash flow from investments in property, plant and equipment and intangible assets in 2013 amounted to SEK –211m (–269).

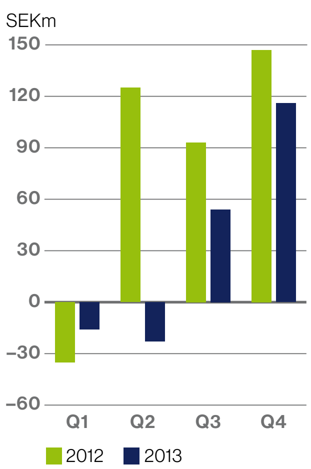
FINANCING ACTIVITIES

Cash flow from financing activities amounted to SEK –65m (1,412). The decrease in cash flow from financing activities is mainly the result of significant one-off cash inflows in 2012. In 2012 the cash flows from financing activities consisted mainly of net proceeds from the rights issue of SEK 1,056m and gross proceeds from borrowing related to the new facility agreement of SEK 750m, which was partly offset by repayments of loans to credit institutions of SEK 371m.

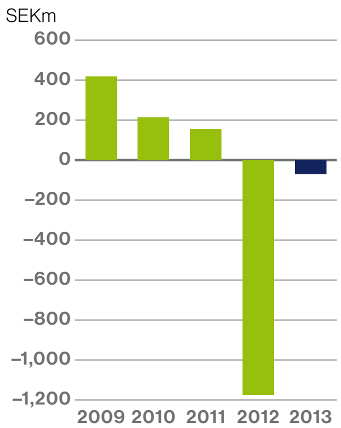
In 2013 the credit facility agreement with Svenska Handelsbanken was renegotiated. In addition to the renegotiated credit facility agreement, Cloetta AB (publ) issued senior secured notes of SEK 1,000m which are listed and admitted for trading on the corporate bond market of the NASDAQ OMX Stockholm as of 17 September 2013. The net proceeds from the placement of the notes have been used to repay the Senior A facility in full and reduce the overdraft facility. Total repayments of loans amounted to SEK 1,056m (371).

The net cash flow was SEK –136m (236), which decreased cash and cash equivalents to SEK 167m, compared to SEK 306m in the previous year.

CASH FLOW FROM OPERATING ACTIVITIES



CASH FLOW FROM OPERATING AND INVESTING ACTIVITIES



EMPLOYEES AND REMUNERATION

NUMBER OF EMPLOYEES

The average number of employees was 2,472 (2,579). The company has employees in 13 countries. For more information about the number of employees by country, see Note 5.

GENERAL PRINCIPLES

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

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

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

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

RELATION TO THE EMPLOYEES

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

GUIDELINES FOR REMUNERATION TO GROUP MANAGEMENT

The current guidelines for remuneration to Group Management were adopted at the AGM of Cloetta on 11 April 2013.

Remuneration to the President, other members of Group Management and other key employees reporting directly to the President shall consist of fixed salary, variable salary, other benefits and pension. To the extent considered appropriate by the Board of Directors, the Group Management and other key employees were offered the opportunity to participate in a share-based long-term incentive plan, which shall be decided annually by the general meeting. Any variable salary should be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration package shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The company shall strive to have defined contribution pension plans. The retirement age shall be not less than 60 years and not more than 67 years.

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

In addition, the 2013 Annual General Meeting approved the Board's proposal regarding the introduction of a share-based long-term incentive plan to align the interests of the shareholders on the one hand with those of the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation.

THE BOARD OF DIRECTORS' REPORT ON THE REMUNERATION COMMITTEE'S EVALUATION OF REMUNERATION TO GROUP MANAGEMENT

The Board of Directors has set up a remuneration committee consisting of four members. The remuneration committee has prepared recommendations for the Board's decision on issues relating to remuneration principles, the amount of remuneration and the terms of employment for the Group Management Team. These recommendations have included the proportional relationship between fixed and variable remuneration and the size of any salary increases. The remuneration committee has also discussed pension terms and termination benefits.

Guidelines for remuneration to the executive management are presented to the Board of Directors, which submits a proposal on such guidelines to the Annual General Meeting for approval. Current guidelines for remuneration to the Group Management Team are described in Note 6.

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

The variable remuneration is linked to the individual's responsibility for results, as well as the Group's profitability targets, which contributes to an increase in value for the company's shareholders.

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

Remuneration to the President for the financial year 2013 has been determined by the Board. Remuneration to other Group Management Team members has been decided by the President. Since the AGM on 11 April 2013, the remuneration committee has met on three occasions. The proposed guidelines for remuneration to members of the Group Management Team in 2014 that will be presented to the AGM on 29 April 2014 for approval are identical to the current ones.

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL IMPACT

Cloetta works to reduce its environmental impact through systematic environmental management. Cloetta's greatest environmental impact comes from water and energy consumption, wastewater emissions, waste and transports. Viewed over the entire life cycle of the products, the most significant environmental impact arises in raw material and packaging production. Cloetta complies with the statutory environmental requirements and the Group is not involved to any environmental disputes. At year-end 2013, Cloetta conducted operations at ten factories in five countries. The two Swedish factories in Ljungsbro and Gävle are subject to reporting requirements according to the Swedish Environmental Code. These permits apply until further notice. There are no injunctions in respect of the Swedish Environmental Code.

Manufacturing units outside Sweden adapt their operations, apply for the necessary permits and report to the authorities as required by local legislation.

In 2013, energy consumption in the two Swedish factories in Ljungsbro and Gävle totalled 64.8 GWh (60.0), which corresponds to 2.63 MWh (2.53) per produced tonne. The CO_2 emissions generated by this amount of energy and its mix corresponded to 0.21 kg (0.23) per produced kilogram. The volume of wastewater in 2013 totalled 3.76m^3 (3.34) per produced tonne. COD amounted to 40.31 kg (42.28) per produced tonne. The volume of waste in 2013 was 59.17 kg (53.31) per produced tonne and the proportion of recycled waste amounted to 49.4 per cent (44.1).

SYSTEMATIC ENVIRONMENTAL MANAGEMENT

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Environmental initiatives are an integral part of Cloetta's operations and environmental aspects are taken into account when making decisions. Frequent evaluation and follow-up of measures increase awareness about the effects of different working methods on the environment.

COLLABORATIVE INITIATIVES

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

In 2014 Cloetta will certify its entire range of chocolate products with sustainable cocoa from UTZ-certified farmers.

A more detailed presentation of the Group's environmental policy and environmental work is provided in the corporate responsibility report on pages 46–47.

FUTURE OUTLOOK

OPERATIONAL AND FINANCIAL RESTRUCTURING

In 2013, as well as 2012, Cloetta faced significant changes, mainly as a result of the closure of three factories and the merger with LEAF. During 2013 the merger between Cloetta and LEAF was operationally finalised and at year end production was terminated in the final factory in the restructuring programme.

During the year Cloetta issued senior secured notes in order to diversify and extend the Group's funding profile and create increased operational flexibility. In addition, Cloetta renegotiated its credit facilities agreement in order to reduce the cost of borrowings and improve flexibility.

MARGIN EXPANSION AND GROWTH

Much of the emphasis in 2013 was on finalising the synergies from the merger between Cloetta and LEAF, and to continue realising the savings created by the closure of three of the Group's factories. The focus in 2014 will be on finalising the transfer of production from the closed factories and to continue focusing on profitable growth, both organically and through acquisitions. The factory closures will generate total savings of approximately SEK 100m at the EBITDA level, with full effect towards the end of 2014.

GOAL ACHIEVEMENT

The Group's target is an underlying EBIT margin of at least 14 per cent. For growth, the long-term target is to increase sales organically at a rate at least equal to market growth. Another long-term target is a net debt to EBITDA ratio of around 2.5. At 31 December 2013, the net debt/underlying EBITDA ratio was 4.2. Through earnings growth and strong cash flows, this target is expected to be reached the coming years. With regard to dividends, the long-term intention is to distribute 40–60 per cent of profit after tax. In the coming years the main focus will be on using the company's strong cash flows in order to repay bank loans, but also to finance potential acquisitions.

FINANCIAL OUTLOOK 2014

Just as previous years, Cloetta is not issuing any financial outlook for 2014.

EVENTS AFTER THE BALANCE SHEET DATE

On 8 January 2014, Cloetta Holland B.V., a 100 per cent direct participation of Cloetta AB (publ) acquired 100 per cent of the shares of Alrifai Nutisal AB. Immediately after the acquisition, Alrifai Nutisal AB changed its name to Cloetta Nutisal AB. The acquisition is in line with Cloetta's strategy to broaden its product portfolio within Munchy Moments. Cloetta Nutisal AB produces and sells dry roasted nuts under the Nutisal brand, primarily in the branded bags segment. The company has annual sales of about SEK 200m, with around 60 employees. The acquisition is expected to generate an additional growth in sales of approximately 1 per cent at the group level in the next few years. It will give rise to non-recurring restructuring costs of approximately SEK 10m in 2014. In 2014 the acquisition will have a very limited effect on Cloetta's operating profit as the company is in a growth phase. However, the acquisition is expected to be EPS accretive in 2015. The upfront purchase price is SEK 110m in cash with a potential earn-out based on certain targets related to the results of Cloetta Nutisal AB for 2016. The earn-out is a maximum of SEK 300m in cash. The acquisition of Nutisal was made public on 9 December 2013.

A preliminary purchase price allocation regarding the acquisition of Cloetta Nutisal AB is performed and is described in more detail in Note 37.

RISKS AND RISK MANAGEMENT

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

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

ORGANISATION FOR RISK MANAGEMENT

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

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

IDENTIFICATION OF RISKS

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

RISK MANAGEMENT

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

RISK OVERVIEW

In Cloetta's risk management process, a number of risk areas have been identified. A selection of these and a brief description of how each risk area is handled are presented on the following pages. The Group's financial risk management is also described in more detail in Note 30, on pages 126–127. Pages 88–89 contain a description of the internal control processes and risk assessment aimed at preventing misstatements in the financial reporting.

Management of risks in the working environment is described on pages 32 and 48.

Industry and market-related risks

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

	RISKS	Probability	MANAGEMENT	Impact
MARKET CLIMATE	The euro crisis has had a negative impact on consumption patterns. Operations are affected in that Cloetta's customers are suffering from lower profitability, which leads to price pressure.		From a historical perspective, the confectionery market has been comparatively mildly affected by market downturns among consumers. This applies to a large extent to Cloetta's products, which most people can afford to buy. To support the customers' business and promote sound price development, Cloetta cooperates with the customers among other things through in-store sales activities.	
COMPETITION	The confectionery market is highly competitive and home to several major players. Furthermore, grocery retailers offer private labels that compete with certain of Cloetta's products. This competition can limit Cloetta's opportunities for price increases to compensate for higher raw material costs. Cloetta may also need to increase its investments in marketing and product development in order to maintain or expand its market shares.		Cloetta competes in the market through active pricing, product innovation, product quality, brand recognition and loyalty, marketing and the ability to predict and satisfy customer preferences. It is important that Cloetta's products are perceived as providing the consumers with greater value added than the cheaper alternatives. Cloetta strives for effective marketing.	
RETAIL TRADE DEVELOPMENT	The European grocery and service trade has undergone a process of consolidation leading to the establishment of large, sophisticated players with substantial purchasing power. These major players are not necessarily dependent on individual brands and can hold back price increases and demand higher investment in marketing initiatives. They can also take over shelf space that is currently used for Cloetta's products for their own brands.		Cloetta's strong brands and market position, together with a strong sales force and close cooperation with the trade, contribute to its ability to maintain good relations with the retail trade. Cloetta also works actively with new sales channels. Cloetta has a relatively wide and diversified customer base. In 2013, Cloetta's ten largest customers accounted for around 38 per cent of the Group's total sales.	
CONSUMER TRENDS **Health** **Social responsibility**	Changes in consumer behaviour give rise to both opportunities and risks. Health trends and the debate on health, weight and sugar can have a negative impact on confectionery consumption. The health trend has also spurred a growing interest in natural raw materials. In view of rapid globalisation, individual consumers are more aware of how their consumption patterns affect the environment and social/ethical conditions around the world. Consumers want to know more about product origins, manufacturing methods and raw materials. Information that Cloetta, or Cloetta's suppliers, are not taking adequate environmental or social responsibility could damage Cloetta's brand.		Health trends have not affected confectionery sales to any great extent, since confectionery is often eaten as a small luxury in everyday life. Cloetta works continuously to satisfy consumer preferences. In addition, Cloetta has an extensive offering of sugar-free products and products that promote dental health. In the long-term, Cloetta's goal is for all products to be free from artificial colours and additives (NAFNAC). Cloetta strives to include supplier codes of conduct in all agreements as far as possible, but as an individual company is unable to influence international development on its own. Cloetta's goal is to be open and, through cooperation with other confectionery producers via various organisations, to identify problem areas and contribute to improvements.	
LAWS AND TAXES	Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to limitations in operations or place new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different countries is not entirely correct or that such rules will be changed, possibly with retroactive effect.		Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectionery taxes and fat taxes often has a short-term impact on sales. Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and the information that is available.	
RAW MATERIAL PRICES	Price development for raw materials is steered mainly by supply and demand, and is beyond Cloetta's control. The prices of sugar and many of the other raw materials purchased by Cloetta are also affected by agro-political decisions in the EU regarding quotas, support, subsidies and trade barriers, but also by rising living standards and the activity of financial investors on the commodities exchanges.		Cloetta continuously monitors the development of raw material prices and all purchasing is carried out through a central purchasing function. To ensure access and price levels, Cloetta normally enters into supplier contracts that cover the need for raw materials for a period of 6–9 months forward. If the average raw material price had been 10 per cent higher/lower at year-end, profit before tax would have been SEK 106m higher/lower. If the average raw material prices had been 10 per cent higher/lower at 31 December 2013, profit before tax for the year would have been SEK 106m lower/higher. Cloetta's policy is to compensate for higher raw material costs by raising prices to its customers.	

Operational risks

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

	RISKS	Probability	MANAGEMENT	Impact
BUSINESS ETHICS AND BRAND RISKS	Demand for Cloetta's well known brands is driven by the consumers' association of these with positive values. If Cloetta or any of the Group's partners takes any measures in conflict with the values represented by the brand, the Cloetta brand could be damaged.		Cloetta takes a proactive approach to its sustainability responsibility by implementing a code of conduct, ethical guidelines and routines.	
SUSTAINABILITY RISKS IN THE SUPPLY CHAIN	Cloetta uses several raw materials originating from countries with high risk regarding the working environment, social conditions and corruption. In addition, political instability can have a negative impact on costs.		As far as possible, Cloetta strives to include supplier codes of conduct in all agreements. Cloetta purchases Green Palm certificates for palm oil and UTZ-certified cocoa, read more on page 44.	
PRODUCT SAFETY RISKS	Handling of food products places high demands on traceability, hygiene and safety. In a worst case scenario, inadequate control can lead to contamination or allergic reactions. Deficiencies in handling of food products can lead to lower confidence in Cloetta and the Group's brands.		Cloetta works with first-class raw materials and in accordance with international quality standards. Analyses through chemical and physical tests are performed on both raw materials and finished products. Issues of importance for product safety are gathered in special policies and there are plans for information or product recalls in the event of deficiencies.	
INSURABLE RISKS	Assets such as factories and production equipment can be seriously damaged, for example in the event of a fire or power outage. Product recalls can give rise to substantial costs, resulting from both direct costs and in the form of damage to Cloetta's reputation.		Cloetta has insurance programmes for property and liability risks, and works systematically to limit the risk for incidents.	
RELOCATION OF PRODUCTION LINES	To optimise efficiency, Cloetta continuously monitors capacity utilisation in production. Over the past few years up to 40 per cent of the Group's production has been relocated due to the closure of factories. Moving production from one factory to another is a complex process that can result in disruptions and delays in production, which can in turn lead to delivery problems.		Cloetta has an experienced and efficient organisation with well established routines for handling relocation of production lines. To avoid the risk for delivery problems, inventories were built up in preparation for each relocation. By the end of 2013, production was terminated in the last of the three factories planned for closure.	
ACCESS TO THE RIGHT EXPERTISE	To a large extent, Cloetta's future is dependent on its capacity to recruit, retain and develop competent senior executives and other key staff.		Cloetta will continue to be an attractive employer. Employee development and follow-up plans, together with market-based and competitive compensation, contribute to Cloetta's ability to recruit and retain employees.	
ENVIRONMENTAL RISKS	Environmental risks arise mainly through water and energy consumption, wastewater emissions, raw material and packaging waste, production waste and transports.		Cloetta sets environmental requirements for its production and regularly monitors the company's impact on the environment, in addition to conducting systematic efforts to reduce its environmental impact.	

Financial risks

The primary financial risks are foreign exchange, financing, interest rate and credit risks. Financial risks are managed by the Group's finance function according to the guidelines established by Cloetta's Board of Directors. The objective is to identify the Group's risk exposure and, with a certain degree of foresight, to attain predictability in the financial outcome and minimise possible unfavourable effects on the Group's financial results in close cooperation with the Group's operating units. By consolidating and controlling these risks centrally, it is possible to minimise the level of risk while at the same time reducing the cost of measures like currency hedging. Financial risk management is described in detail in Note 30, on pages 126–127.

	RISKS	Probability	MANAGEMENT	Impact
FOREIGN EXCHANGE RISKS	Exchange rate fluctuations affect Cloetta's financial results partly in connection with buying and selling in different currencies (transaction exposure), and partly through translation of the profit and loss accounts and balance sheets of foreign subsidiaries to Swedish kronor (translation exposure). Cloetta's presentation currency is Swedish krona, while a majority of the subsidiaries use the euro as their functional currency, for which reason translation exposure is significant.		The objective for Cloetta's foreign exchange management is to minimise the effects of exchange rate fluctuations by utilising incoming currency for payments in the same currency. If the Swedish krona had weakened/strengthened by 10 per cent against the euro, the year's profit before tax would have been SEK 88m higher/lower. The Group hedges parts of its translation exposure through borrowing in euros.	
REFINANCING AND LIQUIDITY RISKS	Refinancing risk refers to the risk that the Group will be unable to obtain financing, or that it can be obtained only at a significantly higher cost. Following the acquisition of the shares in LEAF, Cloetta has a relatively high level of debt. As a result of this high leverage, Cloetta uses a large share of its cash flow for payment of debt, which means that Cloetta's financial flexibility is limited.		Cash flow forecasts are performed by the operating units in the Group and are aggregated by the Group's central finance function, which continuously monitors rolling forecasts to ensure that there is always adequate liquidity to meet the needs of operating activities. In addition, the finance function monitors the Group's attainment of central key performance indicators or compliance with binding financial covenants that are attached to the Group's credit facilities. Surplus liquidity in the operating units is transferred to the Group's internal bank operations.	
INTEREST RATE RISKS	Cloetta is exposed to interest rate risks in interest-bearing current and non-current liabilities. The relatively high level of debt results in exposure to interest rate risk, since the loans carry variable interest rates.		The Group continuously analyses its exposure to interest rate risk and performs regular simulations of interest rate movements. Interest rate risk is reduced by hedging a share of future interest payments through interest rate swaps. The interest rate risk on the loans from credit Institutions and senior secured notes by the period from 2014 up to and including 2015 is hedged for an average of 56.6 per cent. If the interest rate had been 1 per cent point higher/lower in 2013 with all other variables held constant, profit before tax for the year would have been SEK 34m lower/higher.	
CREDIT RISKS	Credit risk refers to the risk that a counterparty to Cloetta will be unable to meet its obligations and thereby cause a loss to the other party. Financial transactions also give rise to credit risks in relation to financial and commercial counterparties.		Credit risk in trade receivables is relatively limited in that the Group's customer base is diverse and consists mainly of large customers, and that distribution takes place primarily through the major grocery retail chains. The customers are subject to credit assessments in accordance with the credit policy and the receivables balance is monitored continuously. The Group's counterparties in financial transactions are banks and credit institutions with good credit ratings (between AA– and A-2).	
VALUATION RISKS	The Group has a number of assets and liabilities that have been valued with the help of various experts. These include goodwill and brands/trademarks on the asset side and the pension liability and tax liabilities on the liability side.		Assets and liabilities are tested for impairment yearly or when there is an indication that such testing may be necessary. Read more in Note 11, Intangible assets on pages 107–109 and Note 35, Critical accounting estimates and judgements on page 129	

Corporate governance report

The aims of good corporate governance are to create the conditions for active shareholder participation, to uphold a transparent and sound balance of power between the company's governing bodies and to ensure the provision of correct information to the market.

The aim of corporate governance is to ensure that the company is managed as effectively as possible in the interests of the shareholders, but also that Cloetta complies with the rules required by legislators and the stock exchange, among other things in the form of corporate governance.

Corporate governance is also aimed at creating order and systems for both the Board and the management. In addition, by having well defined structures, rules and processes, the Board can ensure that the management and employees are focused on developing the business and thereby creating shareholder value.

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

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Since 1 July 2008, all companies whose shares are traded on NASDAQ OMX Stockholm are required to apply the Swedish Code of Corporate Governance, regardless of their market capitalisation. Cloetta is thus subject to compliance with the Swedish Code of Corporate Governance, which is based on the "comply or explain" principle. This means that a company can deviate from the Code's provisions without this entailing a breach of the Code. However, a company that deviates from a rule in the Code must explain the reason for doing so. Cloetta currently complies with the Code without any deviations. Complete information about Cloetta's application of the Swedish Code of Corporate Governance can be found at www.cloetta.com. The corporate governance report is part of the company's administration report and is reviewed by the company's auditor. The results of the review are presented in the audit report on page 147.

EXTERNAL GOVERNANCE SYSTEMS

Cloetta AB (publ) operates under both external governance steering systems and the company's own internal steering systems.

The external governance systems, which provide the framework for Cloetta's corporate governance, include the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, NASDAQ OMX Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance. Governance, management and control are divided between the shareholders at the AGM, the Board of Directors and the President in accordance with Swedish corporate law, the Swedish Code of Corporate Governance and the Articles of Association.

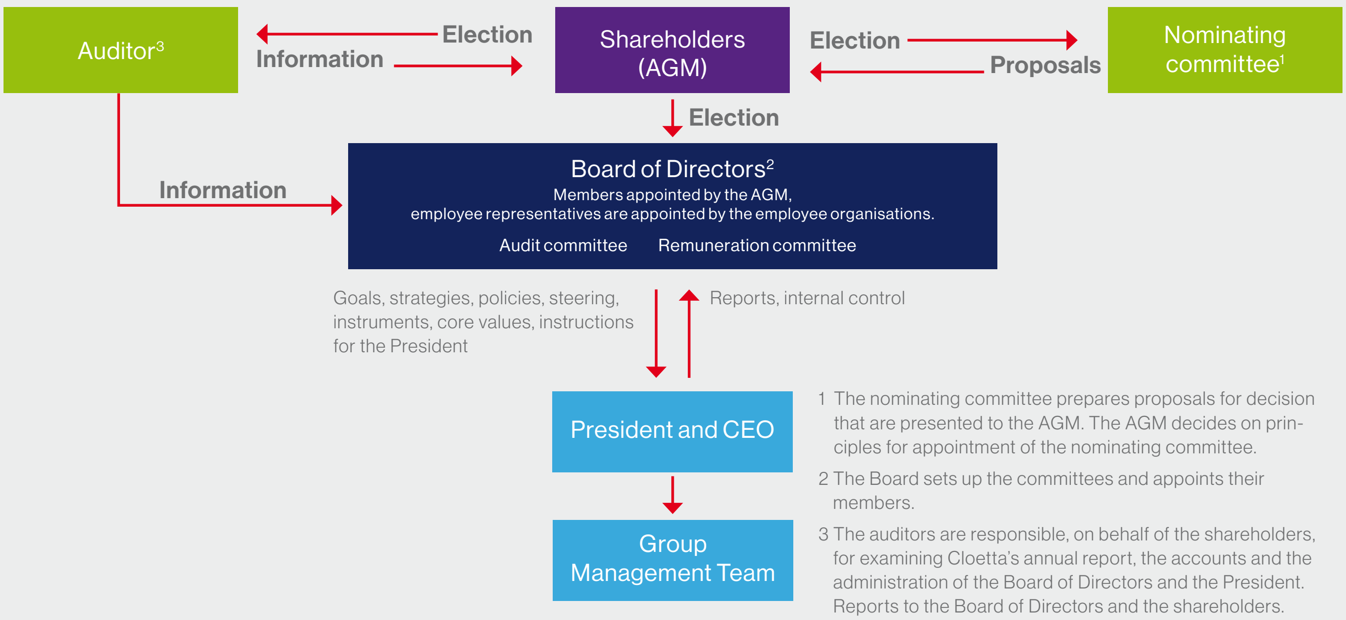
INTERNAL GOVERNANCE SYSTEMS

The most important internal steering instrument consists of the Articles of Association that are adopted by the general meeting of shareholders. Other steering instruments include the Board's work plan and the Board's instructions for the President. In addition, the Board has adopted a number of policies and instructions containing rules for the entire Group's operations. These are evaluated yearly.

ARTICLES OF ASSOCIATION

The Articles of Association are adopted by the general meeting of shareholders and contain obligatory information of a fundamental nature to the company.

GOVERNANCE STRUCTURE



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

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

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

These articles specify the object of the company's operations, the size of the share capital, the voting rights attached to the different classes of shares and the permitted number of Board members. The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association. The full Articles of Association can be viewed at www.cloetta.com.

SHAREHOLDERS

The class B shares in Cloetta AB (publ) have been listed on NASDAQ OMX Stockholm since 16 February 2009 and are traded on the Mid Cap list since 2 July 2012. The number of shares at year-end 2013 was 288,619,299, of which 278,757,685 were of class B and 9,861,614 were of class A. The number of shareholders was 6,321 (compared to 4,667 at the previous year-end). All shares grant equal entitlement to participate in the company's assets and profits. The share capital amounts to SEK 1,443,096,495 and the quota value of the share is SEK 5. Each class B share corresponds to one vote and each class A share to ten votes, although all shares carry equal entitlement to the company's assets and profits. There are no limitations regarding the number of votes a shareholder may exercise at a general meeting.

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. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

The largest shareholder is AB Malfors Promotor, which at year-end held 41.0 per cent of the votes and 22.9 per cent of the share capital. The second largest shareholder at year-end was AMF Försäkring och Fonder, with 11.2 per cent of the votes and 14.7 per cent of the share capital, and the third largest shareholder was Lannebo Fonder, with 7.1 per cent of the votes and 9.3 per cent of the share capital. The formerly second and third largest shareholders following the merger, Cidron Pord S.á.r.l. (which is owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (which is owned by funds under the advisorship of CVC Capital Partners) successively reduced their interests during the year and had sold their entire shareholdings at the end of 2013. At year-end, institutional investors held a total of 92.5 per cent of the votes and 90.3 per cent of the share capital.

INDIVIDUALS WITH AN INSIDER POSITION

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

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

SILENT PERIODS

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

GENERAL MEETING OF SHAREHOLDERS

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

Cloetta's financial year runs from 1 January to 31 December. Notice to attend must be given no more than six weeks and no fewer than four weeks prior to the AGM. The AGM resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of Board members and auditors, fees to Board members and auditors, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association. Each shareholder has the right to participate in the AGM, either in person or by proxy.

Each class B share corresponds to one vote and each class A share to ten votes, although all shares carry equal entitlement to the company's assets and profits.

Every shareholder has the right to request that a matter be taken up at the AGM. A shareholder who wishes to have a matter addressed at the AGM must submit a written request to the Board. In order to be taken up at the AGM, the request must be submitted to the Board no later than one week before the earliest date on which the notice of meeting may be published (e.g. the request must be received no later than seven weeks before the AGM). In accordance with Chapter 7, 32§, of the Swedish Companies Act, all shareholders have the right, at a general meeting of shareholders, to pose questions to the company about the matters that are taken up at the meeting and the financial situation of the company and the Group.

2013 Annual General Meeting

The latest AGM was held on 11 April 2013 in Stockholm. The AGM was attended by 174 individuals representing 91.1 per cent of the votes. The AGM approved the proposals of the Board and the nominating committee regarding:

> Adoption of the balance sheet and profit and loss accounts;
> That no dividend be paid;
> Discharge from liability for the Board of Directors and CEO;
> The number of Board members elected by the AGM shall be ten, with no deputies;
> Re-election of sitting Board members Lennart Bylock (Chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop, Mikael Svenfelt, Olof Svenfelt, Meg Tivéus and Peter Törnquist and election of Lilian Fossum Biner as a new member. Aside from the members elected by the AGM, the employee organisation LIVS has appointed one employee representative and a deputy representative to the Board;
> Board fees were set at SEK 500,000 for the Chairman and SEK 250,000 for each of the other Board members elected by the AGM;
> Fees for work on the Board committees were set at SEK 100,000 for each member of the audit committee and SEK 50,000 to each member of the remuneration committee;
> Re-election of KPMG AB as the company's auditor to serve for the period until the end of the next AGM. Fees are to be paid according to approved account;
> Guidelines for remuneration to the Group Management;
> Amendments to the Articles of Association;
> Introduction of a share-based long-term incentive plan (LTI 2013).

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

2014 Annual General Meeting

The 2014 AGM will be held on Tuesday, 29 April 2014, at 2:00 p.m. at Norra Latin in Stockholm. The Notice of the Annual General will be published at the end of March 2014 and contain the Board's proposals. For more information, see "Annual General Meeting" on page 153 and www.cloetta.com.

NOMINATING COMMITTEE

The task of the nominating committee is to prepare recommendations to be put before the AGM for decision regarding election of Board members and the Board Chairman, fees to the Board of Directors, remuneration for committee work, election of a chairman of the AGM, election of auditors, auditing fees and rules for the nominating committee.

The AGM on 11 April 2013 adopted the following rules for the nominating committee:

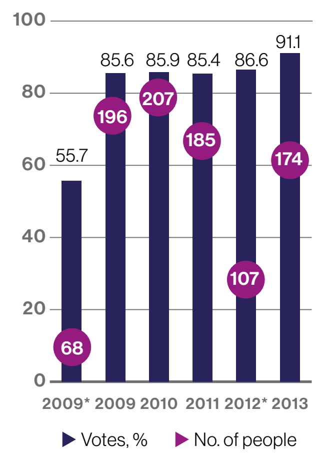
1. The nominating committee shall consist of at least four and at most six members. Of these, one shall be a representative of the Board, appointed by the Board, and three shall be members appointed by the major shareholders. The members thus appointed shall themselves appoint one additional member. In the cases specified in point 6, the number of members may amount to six;
2. Based on the ownership statistics provided to the company by Euroclear Sweden AB on the date falling five months before the end of the current financial year, the Board Chairman shall without undue delay contact the three largest shareholders in terms of voting power and offer each of these the opportunity, within a reasonable amount of time, to appoint a member to the nominating committee. If any of these does not exercise its right to appoint a member, the right to appoint such member shall be transferred to the next largest shareholder in terms of voting power which does not already have the right to appoint a member to the nominating committee;
3. The member who is appointed by the largest shareholder in terms of voting power shall be chairman of the nominating committee;

The nominating committee ahead of the AGM on 29 April 2014 has the following composition:

Name	Appointed by	Share of votes at 31 Dec 2013, %
Christer Wagenius, chairman	AB Malfors Promotor	41.0
Lars Åke Bokenberger	AMF Försäkringar och Fonder	11.2
Peter Rönström	Lannebo Fonder	7.1
Stefan Jacobsson	Nordic Capital Fund V and CVC Capital Partners	0[1]
Lennart Bylock	Board of Cloetta AB	

1 Nordic Capital Fund V and CVC Capital Partners successively reduced their holdings of Cloetta shares during 2013 and at year-end they had sold all interests in the company.

ATTENDANCE AT AGMs/EGMs



* Extraordinary general meetings

4. The members of the nominating committee shall serve until a new nominating committee has been appointed.
5. The names of the members of the nominating committee shall be made public as soon as the nominating committee has been appointed, but not later than six months before the upcoming AGM;
6. In the event of changes in the company's ownership structure after the date falling five months before the end of the current financial year, but before the date falling 12 weeks before the upcoming AGM, and if the shareholder who after this change has come to be one of the three largest shareholders in the company in terms of voting power makes a request to the chairman of the nominating committee to be part of the nominating committee, this shareholder shall have the right, according to the decision of the nominating committee, to appoint either an additional member to the nominating committee or a member to replace the member who has been appointed by the smallest shareholder in terms of voting power after the change in ownership structure;
7. If a member appointed by a shareholder resigns from the nominating committee during the mandate period, or if such member is prevented from discharging his/her duties, the nominating committee – if time permits and the change is not due to special circumstances, for example that the shareholder has sold its shares – shall request that the shareholder who has appointed the member appoint a new member within a reasonable amount of time. If the shareholder does not meet the required criteria or does not exercise its right to appoint a new member, the right to appoint such member shall be transferred to the next largest shareholder in terms of voting power which has not already appointed or waived its right to appoint a member to the nominating committee. If a member of the nominating committee who is appointed by the other members resigns or is prevented from discharging his/her duties, these may appoint a new member.
8. No fees shall be paid to the members of the nominating committee, although the company shall reimburse expenses attributable to the work of the nominating committee;
9. The nominating committee shall put forward proposals for:

> Chairman of the AGM;
> Board members elected by the general meeting;
> The Board Chairman;
> Fees for Board members elected by the general meeting and their apportionment between the Chairman, a possible Deputy Chairman, other members and for work on the Board's committees;
> Fees for the auditors;
> Election of auditors;
> Rules for the nominating committee.

10. For a general meeting of shareholders other than the AGM, the nominating committee's proposals shall address the election(s) to be dealt with at such meeting.

Shareholders are welcome to send proposals to the nominating committee ahead of the 2014 by e-mail.

BOARD OF DIRECTORS

According to the Articles of Association, Cloetta's Board of Directors shall consist of at least three and at most ten members elected by the general meeting. The AGM on 11 April 2013 resolved that the Board shall have ten members elected by the general meeting. For the period until the end of the next AGM, which will be held on 29 April 2014, the Board consists of Lennart Bylock (Chairman), Hans Eckerström, Lilian Fossum Biner, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop, Mikael Svenfelt, Olof Svenfelt, Meg Tivéus and Peter Törnquist.

In addition, the employee organisation LIVS has appointed one employee representative to the Board, Lena Grönedal, and one deputy representative, Shahram Nikpour Badr.

Aside from the employee representative and her deputy, no Board member is employed by the company.

The average age of the Board members at year-end was 58 years and two of the ten members elected by the general meeting are women.

Of the Board's ten members, eight were independent in relation to the company's major shareholders and all ten were independent in relation to the company and its management at the end of the year. For information about the Board members' assignments outside the Group and shareholdings in Cloetta, see pages 90–91.

Previous agreement regarding the Board's composition

Following the merger in February 2012, Malfors Promotor, CVC and Nordic Capital entered into a shareholder agreement regarding the parties' shareholdings in Cloetta which among other things regulated the

Composition of the Board

Elected by the AGM[1]	Year elected	Born in	Total fees, SEK[2]	Independent from the share-holders	Independent from the company and management	Attendance[3] Board meetings	Attendance[3] Audit committee	Attendance[3] Remun-eration committee
Chairman								
Lennart Bylock	2012	1940	550,000	Yes	Yes	8/8		3/3
Members								
Hans Eckerström	2012	1972	400,000	Yes[4]	Yes	8/8	4/4	3/3
Lilian Fossum Biner	2013	1962	250,000	Yes	Yes	6/8		
Håkan Kirstein	2012	1969	250,000	Yes	Yes	8/8		
Adriaan Nühn	2012	1953	250,000	Yes	Yes	7/8		
Robert-Jan van Ogtrop	2012	1956	300,000	Yes[4]	Yes	6/8		3/3
Mikael Svenfelt	2008	1966	300,000	No	Yes	8/8		3/3
Olof Svenfelt	2008	1941	350,000	No	Yes	7/8	4/4	
Meg Tivéus	2008	1943	350,000	Yes	Yes	8/8	4/4	
Peter Törnquist	2012	1953	350,000	Yes[4]	Yes	5/8	4/4	

1 Information about education, other assignments and shareholdings can be found on pages 90–91.
2 The AGM on 11 April 2013 resolved that board fees would be paid in an amount of SEK 500,000 to the Board Chairman and SEK 250,000 to each of the other members elected by the AGM. Members of the audit committee shall received fees of SEK 100,000 each and members of the remuneration committee fees of SEK 50,000 each. For further details, see Note 6. The reported fees in the above table refer to the period from the AGM on 11 April 2013 to the upcoming AGM on 29 April 2014.
3 Attendance at meetings for the period from the AGM on 11 April 2013 until the publication of this report in March 2014.
4 At year-end, these individuals were regarded as independent from the company's largest shareholders now that Cidron Pord S.á.r.l. (which is owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (which is owned by funds under the advisorship of CVC Capital Partners) no longer control 10 per cent or more of the shares or votes in the company.

composition of the Board. Because Cidron Pord S.á.r.l. (which is owned by Nordic Capital Fund V) and Godis Holdings S.á.r.l. (which is owned by funds under the advisorship of CVC Capital Partners) successively reduced their interests during 2013 and at the end of the year had sold their entire shareholdings, the shareholder agreement has ceased to apply.

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders. The Board is responsible for the company's organisation and oversight of the company's affairs. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance over the subsidiaries. The Board is responsible for ensuring that the company complies with the applicable laws, the Articles of Association and the Swedish Code of Corporate Governance. The Board shall continuously assess the financial situation of the company and the Group and ensure that the company's organisation is structured in such a way that the company's financial accounting, financial management and financial circumstances in general can be controlled satisfactorily.

The Board's powers and duties are regulated by the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. The Board has also adopted a work plan for the Board and instructions for internal reporting to the Board which regulate the following:

1. The Board of Directors
2. The Board Chairman
3. The Board committees
4. The general meeting of shareholders
5. Reports to the market
6. Items of business to be taken up at Board meetings, etc.
7. Internal reports to the Board
8. Notice to attend meetings, etc.
9. Presence of a quorum of the Board
10. Minutes of Board meetings
11. Disqualification due to impartiality
12. Responsibilities of the Board
13. Fees

In addition, the Board has issued and adopted the following policies:

- Code of Conduct
- Communication and IR policy
- Finance policy
- HR policy
- Insider policy
- Insurance policy
- Internal control policy
- IT security policy
- Mergers and acquisitions policy

Board meetings

During the period from the statutory meeting after the AGM on 11 April 2013 until the publication of this annual report in March 2014, the Board has held six scheduled meetings and two extra meetings according to the following.

APRIL

AGM and statutory meeting: decision on authorised signatories, adoption of instructions and policies, election of the remuneration committee and audit committee, appointment of a board representative to the nominating committee, information about fees to the Board and committees.

Scheduled Board meeting: interim report for the period from January to March, targets for the 2013 share-based long-term incentive plan, acquisition of FTF Sweets Ltd. which owns the brand Goody Good Stuff.

JULY

Scheduled Board meeting: interim report for the period from January to June, approval of the Parent Company's semi-annual report, renegotiation of the terms of bank loans, bond issue.

AUGUST

Extra Board meeting; renegotiation of the terms of bank loans, bond issue, approval of the prospectus for the bond issue, definition of targets for the 2013 share-based long-term incentive plan.

SEPTEMBER

Extra Board meeting; new Board platform, times and dates for the scheduled Board meetings, the AGM and reporting dates, visit to Cloetta's factory in Ljungsbro, Sweden.

NOVEMBER

Scheduled Board meeting: interim report for the period from January to September, acquisition of Alrifai Nutisal AB, evaluation of the President's performance, information about the nominating committee and the AGM, visit to Cloetta's factory in Levice, Slovakia.

DECEMBER

Scheduled Board meeting: budget/business plan for the coming year, evaluation of the Board's performance.

So far in 2014, one additional scheduled Board meeting has been held:

FEBRUARY

Scheduled Board meeting: annual accounts, year-end appropriations, draft annual report and administration report, full-year report, matters ahead of the AGM, report from the auditors, presentation of category- and brand activities and evaluation of remuneration to the Group Management, presentation of category and brand activities.

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

BOARD COMMITTEES

Audit committee

The audit committee shall have no more than four members who are appointed by the Board on a yearly basis. The majority of the committee members shall be independent in relation to the company and its management. At least one member shall be independent in relation to the company's major shareholders and have accounting or auditing expertise.

The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control and risk management regarding financial reporting. In brief, the audit committee, without affecting the other tasks and responsibilities of the Board, shall continuously meet with the company's auditors to stay informed about the focus and scope of the audit. The company's independent auditor Helene Willberg participates in all scheduled meetings of the audit committee. The audit committee shall meet at least four times per financial year. Once a year the committee shall meet without the presence of any member of the Group Management Team and once a year without the presence of the auditor. Minutes shall be recorded at meetings of the audit committee. The audit committee shall inform the Board about the matters dealt with by the committee. The audit committee consists of Hans Eckerström (chairman), Peter Törnquist, Olof Svenfelt and Meg Tivéus. During the period from the AGM on 11 April 2013 to the publication of this annual report in March 2014, the committee has held four meetings.

WORK OF THE BOARD IN 2013

DECEMBER

Scheduled Board meeting: budget/business plan for the coming year, Board evaluation.

NOVEMBER

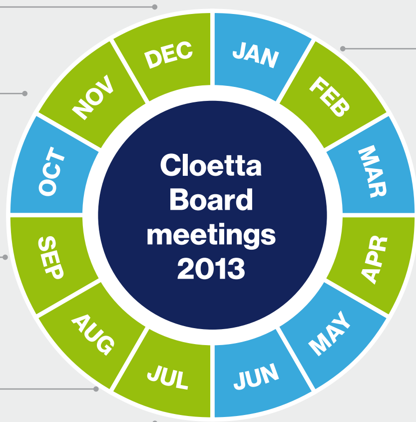
Scheduled Board meeting: interim report for the period from January to September, acquisition of Alrifai Nutisal AB, evaluation of the President's performance, information about the nominating committee and the AGM, visit to Cloetta's factory in Levice, Slovakia.

SEPTEMBER

Extra Board meeting; new Board platform, times and dates for the scheduled Board meetings, the AGM and reporting dates, visit to Cloetta's factory in Ljungsbro, Sweden.

AUGUST

Extra Board meeting; renegotiation of the terms of bank loans, bond issue, approval of the prospectus for the bond issue, definition of targets for the 2013 share-based long-term incentive plan.



JULY

Scheduled Board meeting: interim report for the period from January to June, approval of the Parent Company's semi-annual report, renegotiation of the terms of bank loans, bond issue.

FEBRUARY

Scheduled Board meeting: annual accounts, year-end appropriations, draft annual report and administration report, full-year report, matters ahead of the AGM, report from the auditors, presentation of category- and brand activites and evaluation of remuneration to the Group Management, presentation of category and brand activities.

APRIL

AGM and statutory meeting: decision on authorised signatories, adoption of instructions and policies, election of the remuneration committee and audit committee, appointment of a board representative to the nominating committee, information about fees to the Board and committees.

Scheduled Board meeting: interim report for the period from January to March, targets for the 2013 share-based long-term incentive plan., acquisition of FTF Sweets Ltd. which owns the brand Goody Good Stuff.

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

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board. The main task of the remuneration committee is to prepare recommendations to the Board for decision on remuneration principles, remuneration levels and other terms of employment for the Group Management, to monitor and evaluate ongoing and during the year completed programmes for variable remuneration to the Group Management and to monitor and evaluate application of the guidelines for remuneration to Group Management as adopted by the AGM and of remuneration structures and levels in the Group. The remuneration committee shall meet at least twice every financial year. The Board's remuneration committee consists of Robert-Jan van Ogtrop (chairman), Lennart Bylock, Hans Eckerström and Mikael Svenfelt. During the period from the AGM on 11 April 2013 until the publication of this annual report, the committee has held three meetings.

Integration committee

The Board may also form temporary committees to deal with specific matters, and in respect of the merger with LEAF set up a special integration committee of a temporary nature. However, the integration process was completed during the spring and the integration committee was disbanded in connection with the AGM in April 2013. The integration committee consisted of Lennart Bylock (chairman), Hans Eckerström, Peter Törnquist and Mikael Svenfelt.

Chairman of the Board

The Chairman shall be elected by the general meeting of shareholders, and the AGM on 11 April 2013 re-elected Lennart Bylock as the Board Chairman. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties, and has special responsibility for ensuring that the work of the Board is well organised and effectively executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly and that the nominating committee is informed about the results of this evaluation. The purpose of the evaluation is to gather the Board members' opinions about the Board's performance and what measures can be taken to improve the efficiency of Board work.

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

President and Group Management Team

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

Bengt Baron has been President of Cloetta since 16 February 2012. For information about the President's significant assignments outside the Group and shareholding in Cloetta, see page 92.

The President of Cloetta AB (publ) heads the Group Management

Team. The Group Management Team is a consultatory body for the CEO and therefore has no autonomous executive authority. The Group Management Team meets as decided by the CEO. Aside from the CEO, the Group Management Team consists of the individuals appointed by the President. The President is responsible for ensuring that the Board members are supplied with the necessary information and decision data and presents reports and proposals at Board meetings regarding issues dealt with by the Group Management Team. The President continuously informs the Board and Chairman about the financial position and development of the company and the Group. The President's performance is evaluated continuously by the Board.

The President's main tasks include:

> acting as the CEO, which means overseeing and coordinating the Group's operations according to the Board's guidelines and instructions;
> ensuring that the Board's decisions are implemented; and
> ensuring that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is handled in a satisfactory manner;

Danko Maras has been Chief Financial Officer (CFO) of Cloetta since 16 February 2012. For information about the President and the members of the Group Management Team, see pages 92–93.

Financial reporting

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be controlled satisfactorily and that external financial information such as interim reports and annual reports to the market is prepared in accordance with the legal requirements, relevant accounting standards and other requirements applicable to listed companies. The task of the audit committee is to support the Board in assuring the quality of the company's financial reporting.

The interim reports are examined by the Board's audit committee and are issued by the Board as a whole. The semi-annual report for the period from January to June, like the annual report, is issued by all members of the Board and the President. The CEO ensures that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. Cloetta AB's President is a member of the boards of all operating subsidiaries. Every month, the Group prepares a closing of the books that is submitted to the Board and the Group Management Team. The Board ensures the quality of the Group's financial reporting through the audit committee. The audit committee deals not only with the Group's financial reports and significant accounting matters, but also matters related to internal control, compliance, reliability of reported values, events after the balance sheet date, changes in estimates and judgements and other conditions affecting the quality of the financial reports.

Internal reports

The tasks of the Board are to oversee the Group's financial development, assure the quality of the Group's financial reporting and internal control and regularly monitor and evaluate operations. Internal reports such as the consolidated accounts are compiled and delivered to the Board on a monthly basis. For every financial year, a profit, balance sheet and investment budget is prepared for the Group and is adopted at the scheduled Board meeting in December.

Guidelines for remuneration to the Group Management and key employees

According to the guidelines for remuneration to the Group Management and key employees resolved on by the AGM on 11 April 2013, remuneration to the President, other members of the Group Management Team and other senior executives who report directly to the President, shall consist of fixed salary, variable salary, other benefits and pension benefits. When deemed appropriate by the Board, the key employees in question shall also be offered the opportunity to participate in share-based long-term incentive schemes, which shall be resolved on by the general meeting of shareholders.

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

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

The retirement age shall be not lower than 60 and not higher than 67 years of age. These guidelines apply to agreements entered into after the decision of the AGM on 11 April 2013, and in cases where changes are made in existing agreements after this date. The Board shall have the right to deviate from these guidelines in individual cases where there is special reason to do so.

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

Information about incentive schemes at Cloetta can be found on pages 73 and 105.

AUDITOR

The auditors are responsible for examining the company's annual accounts and accounting records and the administration of the Board of Directors and the President. After every financial year, the auditors shall present an audit report to the AGM.

The AGM on 11 April 2013 re-elected the certified auditing firm of KPMG AB as the company's independent auditor to serve until the end of the next AGM. Authorised Public Accountant Helene Willberg is Auditor in Charge.

KPMG AB
HELENE WILLBERG
Auditor in Charge.
Born: 1967.
Auditor for the company since 2007.
Authorised Public Accountant, KPMG AB.
Other auditing assignments: Cision AB, PostNord AB, Thule Investment AB, Nobia AB and Höganäs AB.

John Movie time with @Linda #Venco

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

ROLES AND RESPONSIBILITIES

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

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

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

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

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

CONTROL ENVIRONMENT

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

> Integrity and ethical values, with Cloetta's Code of Conduct as a platform for the rules that among other things govern financial reporting;

> The management's conduct and working methods based on a clearly defined working process that is described in the "Instructions for Accounting and Financial Reporting";

> Rules for signatory authorisation, segregation of duties and delegation of authority are clearly defined in the "Framework for Authority and Responsibilities" and in the "Rules of Procedure";

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

Financial reporting competencies

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

Human Resources (HR)

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

RISK ASSESSMENT

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

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

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

Fraud risk

The executive management and the central finance team are responsible for preventing the risk for fraud and continuously assessing the

Basis for risk assessment

Existence, reported assets and liabilities exist on the reporting date.

Completeness, all transactions during the reporting period are recorded and reported.

Assets and liabilities consist of the rights and obligations that Cloetta has on the reporting date.

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

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

Process for financial reporting

MONTHLY

COLLECTION OF INFORMATION
Local units report monthly according to an established time frame in compliance with the applicable laws, regulations and accounting practices and the Group's accounting manual.

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

PROCESSING AND CONSOLIDATION
Any corrections are implemented in dialogue with the affected parties. Reconciliations.

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

QUARTERLY

AUDIT COMMITTEE
The audit committee ensures the quality of the financial reporting. In connection with the third quarter report and the annual report, meetings are held with Cloetta's external auditors. In connection with the third quarter report the auditors perform a review of the interim financial information. Possible measures are taken in light of the findings in the auditor's report.

EXTERNAL REPORTING
Cloetta publicly discloses its interim and year-end reports through press releases and publication on the website.

risk for fraud with respect to the applicable attitudes, incentives, and opportunities to commit fraud.

CONTROL ACTIVITIES

Control activities are the policies and procedures that contribute to ensuring that management's directives are carried out and that the necessary actions are taken to address risks that may hinder the achievement of the company's objectives.

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

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

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

MONITORING AND IMPROVEMENT

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

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

INFORMATION AND COMMUNICATION

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

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

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

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

Internal communication

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

External communication

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

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

EVALUATION OF THE NEED FOR A SEPARATE INTERNAL AUDIT FUNCTION

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

Board of Directors



	LENNART BYLOCK	HANS ECKERSTRÖM	LILIAN FOSSUM BINER
Assignment and elected:	Chairman of the Board. Member of the Remuneration Committee. Elected 15 February 2012.	Board member. Chairman of the Audit Committee. Member of the Remuneration Committee. Elected 15 February 2012.	Board member. Elected 11 April 2013.
Year born and nationality:	1940, Swedish	1972, Swedish	1962, Swedish
Education:		M.Sc. in Mechanical Engineering, Chalmers University of Technology, Gothenburg and M.Sc. in Business Administration, University of Gothenburg, Sweden.	BSc, Stockholm School of Economics, Sweden.
Other assignments:	Board chairman of Sigur Holding S/A. Board member of Swede Ship Marine AB, Förvaltningsbolaget Villa Godthem AB and Bylock Konsult AB.	Partner at NC Advisory AB, Swedish exclusive advisor to Nordic Capital. Board chairman of Britax Childcare Ltd and board member of Thule Group AB, Nefab Holding AB and Nordic Outsourcing Services AB.	Board member of Oriflame Cosmetics S.A., Thule Group AB, Nobia AB, Melon Fashion Group OJSC, a-connect AG and Givaudan SA.
Previous assignments:	President and CEO of Nitro Nobel Group. Board chairman of AS3 Companies, Endomines AB (publ), Stiftelsen Natur & Kultur, B&N AB (Transatlantic) and Cellmark. Board member of LE Lundbergsföretagen AB, Cloetta AB and Cloetta Fazer AB.	Board member of Aditro Group AB, SATS Holding AB, Nossegem AB and SiC Processing GmbH. He has also held board assignments within C More Group AB and been active at Arthur D. Little.	She has earlier worked at Mc Kinsey & Co Inc, AB Electrolux and Axel Johnson AB.
Independence in relation to **major shareholders:**	Yes	Yes[1]	Yes
Independence in relation to **the company and management:**	Yes	Yes	Yes
Shareholding*:	–	–	5,500 class B shares
Shareholding related party*:	250,000 class B shares.	–	–



	OLOF SVENFELT	MEG TIVÉUS	PETER TÖRNQUIST
Assignment and elected:	Board member. Member of the Audit Committee. Elected 25 August 2008.	Board member. Member of the Audit Committee. Elected 5 November 2008.	Board member. Member of the Audit Committee. Elected 15 February 2012.
Year born and nationality:	1941, Swedish	1943, Swedish	1953, Swedish
Education:	M.Sc. Engineering, Faculty of Engineering, LTH, Lund University and LLB, Stockholm University, Sweden.	M.B.A., Stockholm School of Economics, Sweden.	M.Sc. in Economics and Business, Stockholm School of Economics, Sweden and MBA, IMD Lausanne, Switzerland.
Other assignments:	Board member of AB Malfors Promotor, Highland Group AB, Hjalmar Svenfelts Stiftelse, Wilhelm Stenhammars Stiftelse and Georg Hultners Stiftelse.	Board chairman of Arkitektkopia AB, Björn Axén Institut AB, Folktandvården i Stockholms Läns Landsting and in Solhagagruppen AB. Board member of Swedish Match AB, Nordea Fonder AB and Endomine AB.	Partner at CVC Capital Partner, CEO and board chairman of CVC Capital Partners Svenska AB and board chairman of Svenska M Holding AB. CEO and board member of Keravel AB and Crozon Invest AB. Board member of Yllop Finance Sweden AB, Ahlsell AB, P Törnquist Invest i Stockholm AB, United Waters AG and Pure Sailing AB.
Previous assignments:	Board chairman of Cloetta AB and deputy chairman of Cloetta Fazer AB. Board member of Metoden Agenturer AB and Stiftelsen Hagdahlsakademien.	Board chairman of Boss Media AB. Board member of Addici AB, Apoteket Farmaci AB, Billerud AB, Cloetta Fazer AB, Danderyds Sjukhus AB, Frösunda LSS AB, IUC Sverige AB, Nordic Cable Acquisition Company Sub-Holding AB, SC Intressenter AB and Victoria Park AB. She has also a background as CEO of Svenska Spel AB, Deputy CEO of Posten AB, and has been Division Manager at Holmen AB and Åhléns AB.	Board chairman of TV4 Retail Television AB, Starbreeze Studios AB and DT Group A/S and deputy chairman and board member of Posten A/S, Matas A/S, Managing Director at Lehman Brothers, Senior Partner, Director and board member of Bain & Company.
Independence in relation to **major shareholders:**	No	Yes	Yes[2]
Independence in relation to **the company and management:**	Yes	Yes	Yes
Shareholding*:	30 class A shares and 2,347,300 class B shares.	1,008 class B shares.	–
Shareholding related party*:	9,855,954 class A shares and 56,375,661 class B shares.	–	–




HÅKAN KIRSTEIN	ADRIAAN NÜHN	ROBERT-JAN VAN OGTROP	MIKAEL SVENFELT
Board member. Elected 15 February 2012.	Board member. Elected 15 February 2012.	Board member. Chairman of the Remuneration Committee. Elected 15 February 2012.	Board member. Member of the Remuneration Committee. Elected 25 August 2008.
1969, Swedish	1953, Dutch	1956, Dutch	1966, Swedish
M.Sc. in Business Economics, Stockholm University, Sweden.	M.B.A., University of Puget Sound, Tacoma, Washington, USA and B.A. of Business Administration, Hogere Economische School, Eindhoven, The Netherlands.	M.B.A, the Graduate School of Management, Rotterdam and B.A. in Business Economics, Erasmus University of Rotterdam, The Netherlands.	Marketing and business economist, Tibbleskolan and law studies, Folkuniversitetet, Sweden.
Board member of Kemetyl Holding AB.	Board chairman of Sligro Food Group N.V.. Board member of Kuoni AG, Plukon Foodgroup N.V., Anglovaal Industries Ltd. and Stern Group N.V.	Founder and Chairman of the Circle Economy. Investor, Industrial partner and Board member of CVC Capital Partners Ltds Advisory Board. Board chairman of African Parks and TBL Mirror Fund, Board member of Xindao B.V.	CEO and Board member of AB Malfors Promotor. Board chairman of Fjärilshuset Haga Trädgård AB. Board member of Fjärilshuset Haga Trädgård Café AB and Rollox AB.
CEO of Svenska Statoil AB and number of assignments within Statoil. He has further been CEO and Board member of Niscayah Group AB and Intersport AB.	CEO and Board chairman of Sara Lee International and has also held a number of assignments within the Sara Lee Corporation and Procter & Gamble.	President and CEO of Remy Cointreau. Board chairman and President of Bols Royal Distilleries, CEO of Bols International B.V., Board chairman of Leaf Holding S.A. and the Foundation for Natural Leadership. Board member of C1000.	Senior positions in Nicator Group, Dell Financial Services and GE Capital Equipment Finance AB.
Yes Yes	Yes Yes	Yes[1] Yes	No Yes
12,000 class B shares. –	198,363 class B shares. –	– –	25 class A shares and 37,535 class B shares. –

	Employee board member	Deputy employee board member
		
	LENA GRÖNEDAL	SHAHRAM NIKPOUR BADR
Assignment:	Employee board member, Swedish Food Workers' Union (LIVS). Elected 5 November 2008.	Deputy employee board member, Swedish Food Workers' Union (LIVS). Elected 11 April 2013.
Year born and nationality:	1962, Swedish	1963, Swedish
Position:	Factory Operative, Cloetta Produktion Sverige AB.	Factory Operative, Cloetta Produktion Sverige AB.
Shareholding: **Shareholding related party:**	– –	– –

1 Regarded as independent in relation to the company's major shareholders since year-end 2013, now that Cidron Pord S.á.r.l. (which is owned by Nordic Capital Fund V) no longer controls 10 per cent or more of the shares or votes in the company.
2 Regarded as independent in relation to the company's major shareholders since year-end 2013, now that Godis Holding S.á.r.l. (which is owned by funds under the advisorship of CVC Capital Partners) no longer controls 10 per cent or more of the shares or votes in the company.

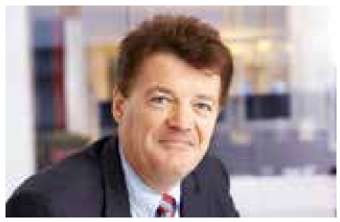
* Shareholding at 31 December 2013.

Group Management Team

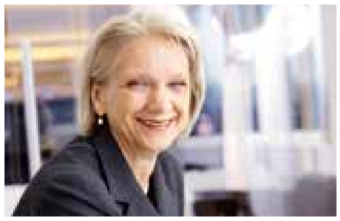


	BENGT BARON	GIORGIO BOGGERO	JACOB BROBERG
Position:	President and CEO since 16 February 2012. Employed by LEAF since 2009.	President Italy and Rest of the World since 16 February 2012. Employed by LEAF since 2009.	Senior Vice President Corporate Communications and Investor Relations since 16 February 2012. Employed by LEAF since 2010.
Year born and nationality:	1962, Swedish	1969, Italian	1964, Swedish
Education:	BS, University of California at Berkeley, MBA, University of California at Berkeley, US	B.A. in Economics, University of Turin, Italy.	B.A. in Political Science and Economics, Lund University, Sweden.
Other assignments:	Chairman of MIPS AB. Board member of Thule Group AB and 5653 Sweden AB.	–	–
Previous assignments/ positions:	President and CEO of LEAF, 2009–2012, President and CEO of V&S Vin & Sprit, 2004–2008, Business Manager of V&S Absolut Spirits, 2001–2004, Nordic President at Stepstone, 1999–2001, Business Manager at Consumer Imaging Kodak Nordic, 1996–1999, CEO of Frionor Sweden, 1994–1996, Business Manager at Coca-Cola Company Sweden, 1992–1994, and Management Consultant at McKinsey & Co, 1988–1992. In the past five years Bengt has completed assignments as chairman of Pendulum AB and board member of Nordnet AB, Lundhags Förvaltning AB, Five Seasons Försäljningsaktiebolag, EQ Oy, the Sweden-America Foundation and Tenson Group AB.	President of LEAF Italy, 2010–2012, since 2012 also responsible for Rest of the World, Commercial Director at Leaf Italy, 2009–2010, CEO of Bialetti Industries International Markets, 2007–2008, Commercial Director for L'Oréal Italy, 2004–2006, Marketing and Category Manager for L'Oréal Italy, 2002–2004. Several positions in marketing and sales for L'Oréal and Kimberly Clark in Italy and France, 1994–2002.	SVP Corporate Communications at LEAF, 2010–2012, Vice President Corporate Communications at TeliaSonera, 2008–2010, Senior Vice President Corporate Affairs and Communication at V&S Vin & Sprit AB, 2005–2008, Vice President Media Relations at Electrolux, 2001–2005, and Vice President Corporate Communications at Länsförsäkringar, 2000–2001. Various positions, including Head of Media Relations and Information for Moderata Samlingspartiet, 1989–2000.
Holdings of shares*: **Call options*:** **Related party:***	6,000 class B shares and 3,225,388 call options. 1,135 class B shares.	691,154 call options. –	6,000 class B shares and 537,566 call options. –





	DANKO MARAS	DAVID NUUTINEN	LARS PÅHLSON
Position:	CFO since 16 February 2012. Employed by LEAF since 2010.	President Finland since 16 February 2012. Employed by LEAF since 2003.	President Scandinavia since 16 February 2012. Employed by LEAF since 2008.
Year born and nationality:	1963, Swedish	1959, Finnish	1959, Swedish
Education:	B.Sc. in Business Administration and Economics, Uppsala University, Sweden.	M.Sc. Economics, Helsinki School of Economics, Finland.	B.A. Economics and Marketing, Växjö University, Sweden, PED IMD Lausanne, Switzerland.
Other assignments:	–	Chairman of Kamux Oy.	Chairman of DLF Serviceaktiebolag. Board member of GS1 Sweden AB and Validoo AB.
Previous assignments/ positions:	CFO of LEAF, 2010–2012, CFO/COO at Unilever Nordic, 2007–2010, VP Finance Supply Chain at Unilever North America, 2004–2006, Head of Unilever Corporate Finance Western Europe & Personal Assistant to the Group Treasurer at Unilever Head Office, the Netherlands, 2000–2003, Chief Accountant at Unilever Cosmetics International Switzerland, 1997–2000, Corporate Auditor at Unilever, 1993–1996, Management Trainee at Unilever Sweden, 1992–1993. Danko has also been board chairman of Slottsfabriken Fastighets AB.	President of LEAF Finland, 2005–2012, Commercial Director at Leaf Finland, 2003–2005, General Manager of PepsiCo Beverages, Finland, Baltics, Ukraine, 2000–2002, Operations Director at McDonald´s Finland, 1996–2000, various marketing and sales positions at Vaasanmylly Oy, 1986–1996. In the past five years David has completed the assignment as board member of Turun Vapaavarasto Oy and DNA Oy.	Chairman of Cleano AB. President Scandinavia at Leaf, 2008–2012, President of Campbells Nordic, 2005–2008, Senior Vice President Carlsberg Nordic, 2001–2005, Managing Director Falcon Brewery, 1998–2001, Vice President Nestlé Nordic Findus, 1996–1998, Marketing Director Nestlé Sweden, 1994–1996, various positions in sales and marketing at Nestlé Sweden and Nestlé Switzerland, 1982–1994.
Holdings of shares*: **Call options*:** **Related party*:**	1,500 class B shares and 1,305,514 call options. –	6,000 class B shares and 1,151,924 call options. –	10,000 class B shares and 844,745 call options. –

			
JOHNNY ENGMAN	**EWALD FRÉNAY**	**JACQUELINE HOOGERBRUGGE**	**EDWIN KIST**
Senior Vice President Corporate Development and M&A since 1 May 2012. Employed by Cloetta since 2012.	President Middle since 16 February 2012. Employed by LEAF since 2000.	President Operations since 16 February 2012. Employed by LEAF since 2010.	Senior Vice President Human Resources since 16 February 2012. Employed by LEAF since 2005.
1977, Swedish	1963, Dutch	1963, Dutch	1950, Dutch
M.Sc. in Economics and Business Administration, Stockholm School of Economics, Sweden.	M.Sc. Economics, Erasmus University Rotterdam, the Netherlands.	M.Sc. Chemical Engineering, University of Groningen, the Netherlands.	M.Sc. Sociology of Organisation & Labour, University of Groningen, the Netherlands.
Board member of Menigo AB.	–	Board member of Cederroth Intressenter AB.	–
Director at Nordic Capital Advisory AB, 2004–2012, where he has worked with companies in various sectors, including retail and fast-moving consumer goods. Management Consultant at McKinsey & Company in Stockholm, 2001–2004. Board member of StudentConsulting AB, 2006–2010, Luvata Ltd., 2007–2009 and Saferoad AS, 2008-2013.	President Middle at LEAF, 2011–2012, Chief Marketing Officer and Senior Vice President Sales Rest of the World, 2008–2011. Member of LEAF Executive Committee, 2008–2012. Vice President Segment Sugar Confectionery, 2005–2007, Marketing Director of Sugar Confectionery Division, (former subsidiary CSM), 2004–2005, Marketing Director of RBV Leaf the Netherlands (former subsidiary CSM), 2000-2004. Several marketing and sales positions at Mars Inc., European Franchise Manager for SNICKERS, 1997–1999, Divisional Sales Manager Snackfood, 1995–1997, Brand Manager roles in Snack and Petfood, 1990–1995, Management Trainee, 1989–1990.	President Operations at LEAF, 2010–2012, Vice President Operations at Danone's Medical Nutrition Division, 2009–2010, and Vice President Procurement at Numico Baby & Medical Food, 2006–2009. Various positions in engineering, manufacturing and procurement at Unilever 1992–2006, and in engineering and sales at Fluor Daniel, 1988–1992.	SVP Human Resources at LEAF, 2005–2012, Interim Manager (various assignments), 2002–2005, Vice President Human Resources at Royal Wessanen, 1995–2002, HR Director at KNP/BT, 1991–1995, HR Director at Royal Nijverdal-ten Cate, 1988–1991.
6,000 class B shares. –	6,000 class B shares and 1,151,924 call options. –	6,000 class B shares and 376,182 call options. –	6,000 class B shares and 537,566 call options. –

ERWIN SEGERS

Chief Marketing Officer since 1 March 2012. Employed by LEAF since 2010.

1967, Belgian

M.Sc. Business and Economics, University of Antwerp, Belgium.

–

Marketing Director at Leaf Holland, 2010–2012, Senior Marketing Director at Philips, 2006–2010, Marketing Director at Cadbury Netherlands (part of KRAFT), 2002–2006. Several senior positions in marketing and sales at Sigma Coatings, Hero and Maxxium, 1990–2002.

6,000 class B shares and 76,796 call options.

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* Holdings of shares and call options at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

GENERAL INFORMATION

Cloetta AB (publ), corporate identification number 556308-8144, is a Swedish-registered limited liability company domiciled in Linköping, Sweden. The company's Head office is in Stockholm with address Kista Science Tower, SE-164 51 Kista, Sweden. The consolidated financial statements for the financial year from 1 January to 31 December 2013 include the accounts of the Parent Company and its subsidiaries (collectively the "Group" and individually "group companies").

The annual report and consolidated financial statements were approved for publication by the Board of Directors on 6 March 2014. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the Annual General Meeting on 29 April 2014 for adoption.

FINANCIAL YEAR

These financial statements include the consolidated financial information for the Group covering the period from 1 January to 31 December 2013.

DISCLOSURES REGARDING CHANGES IN GROUP STRUCTURE

Business combinations

Acquisition of Cloetta AB (publ)

On 16 February 2012 Cloetta AB (publ) acquired 100 per cent of the shares and 100 per cent of the voting rights in Leaf Holland B.V. (currently known as Cloetta Holland B.V.), the parent company of the LEAF group, incorporated in the Netherlands, from Leaf Holding S.A. (currently known as Yllop Holding S.A). LEAF is a confectionery company with a focus on sugar confectionery, chewing gum and pastilles and has a leading position in the Nordic countries, the Netherlands and Italy.

See Note 29 for further information.

Acquisition of FTF Sweets Ltd.

On 21 May 2013 GGS Holding Ltd. (a 100 per cent indirect participation of Cloetta AB (publ)) acquired 100 per cent of the shares of the British candy company FTF Sweets Ltd. which owns the brand Goody Good Stuff.

See Note 29 for further information.

Acquisition of Alrifai Nutisal AB

On 8 January 2014, Cloetta Holland B.V. (a 100 per cent direct participation of Cloetta AB (publ)) acquired 100 per cent of the shares of the Swedish nut company Alrifai Nutisal AB, which owns the brand Nutisal.

See Note 37 for further information.

Divestments

The table below shows the derecognition of assets and liabilities related to the divestments of Leaf Belgium Distribution N.V. and Leaf Danmark Ejendomsselskab ApS in 2012.

SEKm	
Non-current assets	**–42**
Property, plant and equipment	–19
Deferred tax assets	–23
Current assets	**–55**
Inventories	–15
Current receivables	–32
Assets held for sale	–27
Cash and cash equivalents	–8
Non-current liabilities	**8**
Deferred tax liabilities	8
Current liabilities	**45**
Other current liabilities	45
Net identifiable assets and liabilities assumed	**–44**
Divestment of subsidiaries	47
Capital gain	**3**

Mergers

- On 4 October 2012 Karamellpojkarna Sälj AB merged into AB Karamellpojkarna, and Cloetta Holding AB merged into Cloetta Invest AB.
- AB Jaeger Peps Candy Co, Choklad-Thule AB, Kavalleristen AB, Cloetta Invest AB, Candelia Polly AB, Gig AB and Cloetta International AB merged into Cloetta Sverige Produktion AB as per 10 October 2012 and 5 December 2012.
- Cloetta International AS and Cloetta A/S merged into Cloetta Norge AS as per 9 March 2013.
- Leaf Leasing Oy merged into Cloetta Suomi Oy (formerly known as Leaf Suomi Oy) as per 31 December 2013.

Incorporations

- Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) incorporated Cloetta USA Inc. as per 6 May 2013.
- On 8 May 2013 Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) incorporated Cloetta GGS Holding Ltd., as part of the acquisition of FTF Sweets Ltd..

Liquidations

- Leaf Baltics AS was liquidated as per 27 August 2012.
- OOO Leaf was liquidated as per 27 August 2012.
- Leaf UK Ltd. was liquidated as per 29 January 2013.

See Note P13 for more information.

COMPLIANCE WITH LEGISLATION AND ACCOUNTING STANDARDS

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU, with some supplementary requirements in the Annual Accounts Act. The applied standards and interpretations are those that were in force and had been endorsed by the EU at 1 January 2013. The Group adopted the revised IAS 19, Employee Benefits, in 2012, with retrospective effects as of 1 January 2011. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The annual report of the Parent Company has been prepared 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 Parent Company applies the same accounting standards as the Group except for those specified below in Note P1, Accounting and valuation policies of the Parent Company.

ACTIVITIES

The activities of the Group mainly comprise:

> the sale, marketing and production of branded sugar and chocolate confectionery products, and

> the trade of sugar and chocolate confectionery products.

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

BASIS OF PRESENTATION

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities that are stated at fair value according to the accounting policies described below.

Unless otherwise stated, all amounts are rounded to the nearest million.

The preparation of financial statements in conformity with IFRS requires management to use certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these estimates and assumptions are used to make judgements about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are reported in the period of the change, if the change affects that period only. Changes in estimates are reported in the period of the change and future periods, if the change affects both.

Note 35 provides a description of judgements made by the company's management in the application of IFRS that have a significant impact on the financial statements, and estimates that can lead to significant adjustments in the financial statements of later years.

Unless otherwise stated below, the following accounting standards for the Group have been consistently applied in periods presented in the consolidated financial statements. The accounting standards for the Group have been consistently applied in reporting and consolidation of the Parent Company and the subsidiaries.

SEGMENT REPORTING

An operating segment is an identified part of a group that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available. Operating segment's results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its short- and long-term financial performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The CEO, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

Within the Cloetta group four regions have been identified as the Group's operating segments. The vast majority of sales take place within the sugar confectionery markets in Western Europe, which are comparable. It is management's goal to realise production efficiency through homogeneity in production processes in the different production facilities throughout the Group regardless of their location. The Group has sales mainly within the sugar confectionery segment, with comparable markets and customers. The Group has an integrated distribution network and supply chain organisation. The identified operating segments are assessed to have similar economic characteristics.

As a result of these consistencies between the different regions, for financial statement reporting purposes, the operating segments are aggregated into one reportable segment. For information about the Group's sales and earnings development and financial position, see the consolidated profit and loss accounts, balance sheet and cash flow statement.

CLASSIFICATION

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or settled more than 12 months after the balance sheet date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within 12 months from the balance sheet date.

BASIS OF CONSOLIDATION

Group Structure

The company was founded in 1862. On 16 February 2012, Cloetta AB (publ) acquired Leaf Holland B.V. (currently known as Cloetta Holland B.V.) from Leaf Holding S.A. (currently known as Yllop Holding S.A.). The acquisition was carried out partly through a cash payment (SEK 100m) and partly through the issue of a vendor loan note (SEK 1,400m (which was fully repaid in May 2012)), as well as an issue in kind of Cloetta shares (SEK 2,556m). The acquisition has been accounted for as a reverse acquisition for consolidation purposes, where Leaf Holland B.V. is the accounting acquirer and Cloetta AB (publ) is the legal acquirer. The acquisition was completed on 16 February 2012.

On 22 February 2012, Cloetta sold its distribution business in Belgium to Katjes International GmbH & Co. KG in Germany. The transaction was part of Cloetta's strategy to focus on its core brands. In 2011, the distribution organisation in Belgium had approximately 50 employees and sales of approximately SEK 200m, of which approximately SEK 40m refers to Cloetta-owned brands. The transaction will have a limited effect on Cloetta's future operating profit, and the purchase price was insignificant compared to the market value of Cloetta.

On 31 May 2012, Leaf Danmark Ejendomsselskab ApS was sold to LH Holding Slagelse ApS through a transfer of shares. Leaf Danmark Ejendomsselskab ApS owned the production unit in Slagelse, Denmark, which was closed during 2011 and conducted no operating or commercial activities. The divestment has had no effect on Cloetta's earnings. The transaction generated a non-cash capital loss of SEK 4m.

On 6 May 2013 Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) incorporated Cloetta USA Inc.

On 8 May 2013 Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) incorporated Cloetta GGS Holding Ltd. On 21 May 2013 Cloetta GGS Holding Ltd. and the shareholders of FTF Sweets Ltd. entered into a purchase agreement for the acquisition of 100 per cent of the shares in FTF Sweets Ltd. by Cloetta GGS Holding Ltd.. FTF Sweets Ltd. holds 100 per cent of the shares of FTF Sweets USA Inc..

Subsidiaries

The consolidated accounts include financial information for Cloetta AB (publ) and its group companies. Group companies are all entities in which Cloetta AB (publ) has a controlling influence. Control is achieved when the company directly or indirectly has the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights, so as to obtain benefits from its activities. In assessing whether a controlling influence exists, potential voting equity interests that can be immediately exercised or converted are taken into account. Group companies are fully consolidated from the date on which control is transferred to Cloetta AB (publ). They are deconsolidated from the date that control ceases. As Cloetta AB (publ) holds all shares in its group companies, there are no non-controlling interests.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss account.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit and loss account or as a change to other comprehensive income (only if it is an asset which is classified as available for sale). Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in 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 profit and loss account.

Note P13 provides an overview of all subsidiaries consolidated in the consolidated financial statements of Cloetta AB (publ).

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

FOREIGN CURRENCY

Functional and presentation currency

Items included in the financial information of each of our entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of foreign entities generally is local currency. The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company.

The consolidated financial statements for the years 2012 and 2013 are presented in SEK. The functional currency of the majority of the subsidiaries is euro (EUR). The assets and liabilities are translated at the closing rate at the date of the financial statements. Income and expenses are translated at the average exchange rate for the year.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or the date of valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within "Exchange differences on borrowings and cash and cash equivalents in foreign currencies".

The Group applies hedge accounting on the investment in trademarks in Cloetta Suomi Oy (formerly known as Leaf Suomi Oy) and Cloetta Holland B.V. (formerly known as Leaf Holland B.V.). To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income and accumulated in the translation reserve. Any remaining differences are recognised in profit and loss accounts. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit and loss account as part of the gain or loss on disposal.

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

Financial statements of foreign operations

The profit and loss accounts and balance sheets of all group companies (none of which has the currency of a hyperinflation economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold, unrealised exchange differences deferred in currency translation adjustments after 1 January 2006 (first-time adoption of IFRS) are recycled to the profit and loss account as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities in the functional currency of the attributable foreign entity and translated at the closing rate.

BASIS OF ACCOUNTING

Changes in accounting policies

See Note 36 for details about changes in accounting policies.

Recognition of revenue and expenses

Net sales

Net sales are designated as income from the supply of goods, less discounts and similar, excluding sales taxes and after elimination of intra-group sales. Net sales also include royalty income.

Net sales are recognised as follows:

> Sales of goods are recognised when a group entity has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and the collectability of the related receivables is reasonably assured;

> To a limited extent and applicable to retail channels only, seasonal products in Italy are sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Cost of goods sold

Cost of goods sold represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the production of confectionery products.

Government grants

Government grants and subsidies are recorded at fair value as income in the profit and loss account in the period in which the related costs are recorded, income is received, or subsidised deficits are recorded. Grants and subsidies are recognised as income when there is reasonable assurance that all the conditions will be satisfied and it is probable that these will be received.

Subsidies and grants related to investments in property, plant and equipment and are deducted from the related asset and are reflected in the profit and loss account as part of the depreciation charge.

Selling expenses

Selling expenses comprise the cost of brand support through direct and indirect advertising, promotional activities, the cost of supporting sales and marketing efforts and amortisation of related intangible assets. The company promotes its products through advertising, consumer incentives and trade promotions. Such programmes include, but are not limited to, discounts, coupons, rebates, in-store display incentives and volume-based incentives. Advertising costs are expensed as incurred. Consumer incentive and trade promotion activities are recorded as a reduction in net sales based on amounts estimated as being due to customers and consumers at the end of a period, based principally on historical utilisation and redemption rates.

General and administrative expenses

General and administrative expenses include the costs of general management, human resources, finance and administration, information technology, and other back office services as well as amortisation of related intangible assets.

Employee remuneration

Regular payments

Salaries, wages and social security costs are charged to 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.

Bonus schemes

Deferred bonus scheme

The deferred bonus amount is recognised as an expense in the year when the bonus is granted, including the estimated multiplier effect. Any subsequent changes in the estimated fair value of the investments in the deferred bonus scheme are recorded in the profit and loss account.

Share-based long-term incentive plan

The expense for the plan is recognised in personnel expenses and amounts to the grant date fair value of the shares times the shares vested.

Net financial items

Financial income and financial expenses are recognised using the effective interest method.

Income tax

The income tax expense for the period comprises current and deferred tax and is recognised in the profit and loss account. Corporate income tax is calculated on profit before tax in the profit and loss account, taking into account non-deductible expenses, non-taxable profit and losses and/or temporary differences arising from applicable substantially enacted local tax laws and other factors that effect the tax charge (e.g. changes in valuation allowances, adjustments in tax positions and tax law changes, such as tax rate changes).

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted on the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable profits. Cloetta periodically evaluates positions taken in tax returns with respect to situations where the applicable tax rules are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the respective tax authorities.

Dividend distribution

The distribution of dividends to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are resolved on by the company's shareholders.

Non-recurring items

Non-recurring items are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence in order to enable a full understanding of the Group's financial performance. The non-recurring items are recognised in net sales, other income, cost of goods sold, selling expenses and general and administrative expenses, depending on the nature of the items.

Principles of valuation of assets and liabilities

General

If not specifically stated otherwise, assets and liabilities are initially recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

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Intangible assets

Trademarks

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

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the group level.

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Software

Where computer software is not an integral part or a related item of computer hardware and not integral to the operation of an item of property, plant and equipment, the software is treated as a separate intangible asset.

Acquired software licenses are capitalised at historical cost and amortised over their estimated useful lives of 3 to 5 years.

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

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

Right of free electricity

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

Distribution contracts

Acquired distribution contracts are capitalised at historical cost and amortised based on their contract duration.

Research and development expenses

Expenses for research are recognised in the profit and loss account as incurred. Expenses incurred on development projects are recognised as intangible assets when it is probable that a project will generate economic benefits in the future, in view of its commercial and technological feasibility, and the costs can be measured reliably. Otherwise the expenses are recognised in the profit and loss account as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. The capitalised development expenditure is amortised over its expected useful life on a straight-line basis, with the useful lives reviewed annually. Development expenses previously recognised in the profit and loss account are not recognised as an asset in a subsequent period.

Other intangible assets

Other intangible assets are capitalised at historical cost and amortised based on their useful lives.

For determining whether an impairment charge in respect of an intangible asset applies, see Note 11.

Property, plant and equipment

Items of property, plant and equipment are valued at historical cost less depreciation and impairment. Historical cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs including interest expenses. Depreciation is accounted for using the straight-line method on the basis of the estimated useful life. Government grants are deducted from the historical cost or the construction costs of the assets to which they relate.

Other assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual values, as follows:

Buildings	20–50 years
Machinery and equipment	3–40 years
PP&E under construction	N/A

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount and are recognised in other operating income in the profit and loss account.

Subsequent expenditure is included in the carrying amount of an asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account for the financial period in which they are incurred.

Deferred tax

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

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

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal, the temporary difference is not recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxes are not discounted.

Non-current financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit and loss account) are recognised initially on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Loans, receivables, prepayments on registration fees and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in “current assets”, except for those with maturities greater than 12 months after the balance sheet date, which are classified as “non-current assets”. Loans, receivables and prepayments on registration fees are carried at amortised cost using the effective interest method.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Impairment of non-current assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also assesses whether there are indications of impairment of assets that are subject to amortisation or depreciation. If there are such indications, an impairment test is performed. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its book value is higher than its recoverable value, where the recoverable value is the higher of an asset’s fair value less costs to sell and its value in use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). Impairment costs are recognised immediately as an expense in the profit and loss account.

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The following hedge types are applicable within the Group:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group does not meet the requirements for applying fair value hedge accounting and, as a result, all gains or losses relating to these financial instruments are recognised in the profit and loss account.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account within “Other gains/(losses) – net”. Amounts accumulated in equity are reclassified to profit and loss account in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps to hedge variable rate borrowings is recognised in the profit and loss account within “finance income/(cost)”. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of non-current assets. The Group does not meet the requirements for applying cash flow hedge accounting and, as a result, all gains or losses relating to these financial instruments are recognised in the profit and loss account.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is partially disposed of or sold. The Group has met the requirement for applying net investment hedge accounting.

The fair values of various derivative financial instruments are disclosed in Note 25. Movements on the hedging reserve in other comprehensive income are shown in the statement of comprehensive income. The fair value of a derivative is classified as a non-current asset or liability for the part which exceeds 12 months, and as a current asset or liability for the part that will expire within 12 months.

Inventories

Raw materials are valued at the lower of cost or net realisable value. Cost is determined using the FIFO method (first in, first out).

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Costs in respect of work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing overhead costs based on normal operating capacity and variable manufacturing overhead costs based on actual production during the period.

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

Receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provisions for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within selling expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against selling expenses in the profit and loss account.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Offsetting financial instruments

The Group has a Notional Group Account with Svenska Handelsbanken. If the following criteria are met:

> 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.

The cash and cash equivalents of participating group companies and the current account overdrafts at Svenska Handelsbanken are offset and presented in the balance sheet as a net amount.

Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. Assets are classified as held for sale when they are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets, and the sale is considered highly probable. Assets held for sale are no longer amortised or depreciated from the time they are classified as such. Assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Operations that represent a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively with a view to resale and have either been disposed of or classified as held for sale, are presented as discontinued operations in the profit and loss account.

Equity

Ordinary shares are classified as share capital. Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are recognised for legally enforceable or constructive obligations existing on the balance sheet date, when it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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 interest expense.

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.

Employee benefits

Group companies use various post-employment schemes, including both defined benefit and defined contribution pension plans.

Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group then 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. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds for all countries in the Eurozone. For the Swedish plans, the discount rate is based on mortgage bonds. For the Norwegian pension plans, the market yield on government bonds is used. The rates of these bonds are used as equivalent with corporate bond rates.

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). The Group recognises these immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit and loss account. The Group recognises the interest on defined benefit obligations in net financial items in the profit and loss account.

Since certain pension funds are not able to supply the Group with company-specific or reliable information, Cloetta has accounted for the defined benefit schemes in industry sector pension funds 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 contributions are recognised as personnel costs. 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.

Jubilee arrangements

For jubilee provisions, the expected expenses of these benefits are accrued over the period of employment using the same accounting methodology as for defined benefit pension plans. Remeasurements of these defined benefit pension plans are based on changes in actuarial assumptions and are charged or credited to the profit and loss account in the period in which they arise. Insofar as jubilee arrangements are redefined, this is accounted for as a plan amendment and the related gain or loss is recognised in the profit and loss account.

Termination benefits

Termination benefits are payable when employment is terminated by the Group 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. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based payments

Participation in Leaf Holding S.A. (currently known as Yllop Holding S.A.)

This arrangement is recognised as an equity-settled share-based payment in accordance with IFRS 2, Share-Based Payment. This means that the fair value of the shares at the grant date was determined at the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction. When applicable, the amount is recognised immediately as an expense for the services received with a corresponding increase in equity. On each grant date, the price paid by the management has been analysed as to whether the price was in line with the market price of the underlying depository receipts. Based on the estimated fair value of the shares, the purchase prices have in all cases been equal to the estimated fair value of the shares. Consequently, no expenses related to share-based payment are reported.

Call option arrangement

No costs related to share-based payment are recognised, since the company has no obligation to settle the transaction. The options have been acquired at fair market value.

Share-based long-term incentive plan

The incentive plan qualifies as equity-settled share-based payments. The expense for the plan will amount to the grant date fair value per share right times the number of share rights vested (including any accelerated vesting). The expense is recognised as personnel expense. The total expense depends on the number of shares right vested but any changes in the price of Cloetta share after the grant date do not impact the total expense. In some jurisdictions, social security expenses have to be paid. The total expense for social security contributions will be based on the vesting date fair value of the Cloetta share. Social security expenses recognised in the profit and loss account will therefore vary with changes in the share price.

Forward contracts to repurchase own shares

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

Borrowings

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

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

Borrowings are classified as "current liabilities" unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date ("non-current liabilities").

When borrowings from a shareholder are extinguished for consideration other than fair value, the difference between the consideration and the carrying amount of the borrowing is accounted for as an equity contribution.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets, for which borrowing costs are included in historical cost, is deducted from the borrowing costs that are eligible for capitalisation.

All other borrowing costs are recognised in profit and loss account in the period in which they are incurred.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Leases

Finance leases

Leases of assets for which substantially all the risks and rewards of ownership have been transferred to the Group are classified as finance leases. When the lease contract is entered into, the assets are capitalised in the balance sheet at their fair value, or the present value of the minimum lease payments, if lower. The lease amounts payable are split on an annuity basis between a redemption and interest component, based on a fixed interest rate. The related lease obligations, excluding the interest element, are recognised under interest-bearing borrowings. The interest component is recognised in the profit and loss account. The related assets are depreciated over the remaining economic life or, if shorter, the term of the lease.

Operating leases

Lease contracts for which a significant part of the risks and rewards incidental to ownership of the assets does not lie with the Group are recognised as operating leases. Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the contract, taking into account reimbursements received from the lessor.

NOTE 2 Breakdown of income

SEKm	2013	2012
Net sales		
Sales of goods		
Sugar confectionery	2,480	2,381
Chocolate confectionery	864	875
Pastilles	863	826
Chewing gum	376	389
Other	310	388
Total net sales	**4,893**	**4,859**
Other income		
Other	12	13
Total	**4,905**	**4,872**

THE BREAKDOWN OF THE NET SALES BY COUNTRY TO THE CUSTOMERS IS AS FOLLOWS:

%	2013	2012
Sweden	33	32
Finland	18	18
Italy	15	15
The Netherlands	13	13
Norway	5	6
Denmark	4	4
Other countries	12	12
Total net sales	**100**	**100**

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

NOTE 3 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

SEKm	2013	2012
Software	16	13
Other intangibles	2	1
Land and buildings	14	18
Machinery and equipment	145	134
Total amortisation/depreciation	**177**	**166**
Amortisation/depreciation has been allocated by function as follows		
Cost of goods sold	151	143
Selling expenses	4	3
General and administrative expenses	22	20
Total amortisation/depreciation	**177**	**166**
Impairment		
Intangible assets	1	–
Property, plant and equipment	6	69
Total impairment	**7**	**69**

The impairment losses on intangible assets have been charged to general and administrative expenses. The impairment losses on property, plant and equipment have been charged to cost of goods sold.

NOTE 4 Expenses by type

SEKm	2013	2012
Raw materials and consumables used including change in inventory of finished goods and work in progress	1,755	1,914
Personnel expenses (See Note 5)	1,245	1,293
Depreciation, amortisation and impairment charges (see Note 3)	184	235
Transportation expenses	152	159
Operating lease payments	78	25
Advertising and promotion	371	379
Selling and marketing	59	63
Other operating expenses	643	679
Total operating expenses	**4,487**	**4,747**

The costs charged to the profit and loss accounts for 2013 relating to research and development amount to SEK 33m (30).

NOTE 5 Personnel expenses and number of employees

PERSONNEL EXPENSES ARE SPECIFIED AS FOLLOWS:

SEKm	2013	2012
Salaries and remuneration		
Group Management		
– Sweden	20	30
– Other	16	13
Of which, bonuses		
– Sweden	7	15
– Other	4	4
Other employees		
– Sweden	277	236
– Other	579	595
Total salaries and remuneration	**892**	**874**
Pension costs		
Group Management		
– Defined contribution plans	7	6
Total pension costs, senior executives	**7**	**6**
Other employees		
– Defined contribution plans	36	53
– Defined benefit plans	12	10
Total pension costs, other employees	**48**	**63**
Total defined contribution plans	43	59
Total defined benefit plans	12	10
Total pension costs	**55**	**69**
Other social security expenses, all	246	238
Total pensions and other social security expenses	**301**	**307**
Other personnel costs, all	52	112
Total personnel expenses	**1,245**	**1,293**

THE AVERAGE NUMBER OF EMPLOYEES IS AS FOLLOWS:

	2013	2012
Average number of employees		
– Group Management	11	11
– Other employees	2,461	2,568
Of whom, women		
– Group Management	1	1
– Other employees	1,151	1,294

THE AVERAGE NUMBER OF EMPLOYEES BY COUNTRY IS AS FOLLOWS:

	2013	2012
Average number of employees		
Sweden	633	699
Slovakia	657	623
Italy	467	467
The Netherlands	347	342
Finland	167	238
Belgium	103	106
Norway	47	54
Denmark	32	33
Germany	7	7
UK	5	5
Other	7	5
Total	**2,472**	**2,579**
Of whom, women:		
Sweden	302	334
Slovakia	439	442
Italy	213	188
The Netherlands	87	88
Finland	34	174
Belgium	21	21
Norway	27	22
Denmark	16	14
Germany	4	4
UK	4	3
Other	5	5
Total	**1,152**	**1,295**

SPECIFICATION OF THE GENDER DISTRIBUTION IN COMPANY MANAGEMENT IS AS FOLLOWS:

%	2013	2012
Percentage of women		
Board of Directors	20	11
Group Management	9	9
Other employees	47	50

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NOTE 6 Remuneration to senior executives

Remuneration and benefits in 2013 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligation
Board Chairman							
Lennart Bylock	500	–	–	–	75	575	–
Board members							
Hans Eckerström	250	–	–	–	175	425	–
Lilian Fossum Biner[1]	188	–	–	–	–	188	–
Olof Svenfelt	250	–	–	–	100	350	–
Meg Tivéus	250	–	–	–	100	350	–
Peter Törnquist	250	–	–	–	125	375	–
Håkan Kirstein	250	–	–	–	–	250	–
Adriaan Nühn	250	–	–	–	–	250	–
Robert-Jan van Ogtrop	250	–	–	–	50	300	–
Mikael Svenfelt	250	–	–	–	75	325	–
President							
Bengt Baron	4,656	500[2]	131	1,373	–	6,660	1,955
Other senior executives (10 persons)	19,994	2,355[3]	1,219	5,300	428	29,296	1,243
Total	**27,338**	**2,855**	**1,350**	**6,673**	**1,128**	**39,344**	**3,198**

Remuneration and benefits in 2012 SEK 000s	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligation
Board Chairman							
Lennart Bylock[4]	400	–	–	–	120	520	–
Robert-Jan van Ogtrop[5]	204	–	–	–	–	204	–
Board members							
Hans Eckerström	200	–	–	–	200	400	–
Mikael Svenfelt[4]	200	–	–	–	120	320	–
Peter Törnquist[4]	200	–	–	–	160	360	–
Olof Svenfelt[4]	200	–	–	–	80	280	–
Meg Tivéus[4]	200	–	–	–	80	280	–
Robert-Jan van Ogtrop[4]	200	–	–	–	40	240	–
Håkan Kirstein[4]	200	–	–	–	–	200	–
Adriaan Nühn	200	–	–	–	–	200	–
Stef Oostvogels[5]	–	–	–	–	–	–	–
Ove Anonsen[5]	–	–	–	–	–	–	–
Jan Reinier Voute[5]	–	–	–	–	–	–	–
Wilhelmina von-Alwyn Steennis[5]	–	–	–	–	–	–	–
President							
Bengt Baron	4,690	6,293	80	1,448	–	12,511	744
Other senior executives (10 persons)	19,785	12,173	250	5,644	561	38,413	569
Total	**26,679**	**18,466**	**330**	**7,092**	**1,361**	**53,928**	**1,313**

1 Mrs. Lilian Fossum Biner was elected as a Board member as of 11 April 2013.
2 The amount is not including variable remuneration for activities performed in 2013, which is expected to be paid out in 2014 of 1,920,000.
3 The amount is not including variable remuneration for activities performed in 2013, which is expected to be paid out in 2014 of 6,204,000.
4 Included as of the date of the merger on 16 February 2012 when the new Board was elected.
5 Included until the date of the merger on 16 February 2012 when the new Board was elected.

Comments on the table

> The figures in the table and text refer to the most recently adopted guidelines for remuneration to the Board and senior executives decided at the Annual General Meeting (AGM) on 11 April 2013.

> Basic salaries, board fee refers to the fixed annual compensation.

> Variable remuneration refers to bonuses and the costs for the share-based long-term incentive plan, and is linked to predetermined and measurable criteria.

> Other benefits refer mainly to company car benefits.

> Other remuneration refers to compensation for work on the audit and remuneration committees.

Board of Directors

Remuneration to the Board of Directors is determined by decision of the Annual General Meeting (AGM). The AGM on 11 April 2013 resolved that remuneration for the period until the next AGM to each of the members of the Board elected by the general meeting shall be paid in an amount of SEK 250,000 and remuneration to the Board Chairman shall be paid in an amount of SEK 500,000. Furthermore, remuneration for committee work shall be paid in an amount of SEK 100,000 to each member of the audit committee (the number of members in the audit committee may not exceed four) and in an amount of SEK 50,000 to each member of the remuneration committee (the number of members in the remuneration committee may not exceed four). In 2012, remuneration was paid in an amount of SEK 100,000 to each member of the integration committee, which has been formed specifically for the integration between Cloetta and former LEAF and shall be of a temporary nature (the number of members in the integration committee may not exceed four). The integration committee ceased to exist as of 11 April 2013. Aside from board fees, the Board is entitled to compensation for travel and accommodation.

Guidelines for remuneration to Group Management

The current guidelines for remuneration to Group Management were adopted at the AGM of Cloetta on 11 April 2013.

Remuneration to the President, other members of Group Management and other key employees reporting directly to the President shall consist of fixed salary, variable salary, other benefits and pension. To the extent considered appropriate by the Board of Directors, Group Management and other key employees were offered the opportunity to participate in a share-based long-term incentive plan, which shall be decided annually by the general meeting. Any variable salary should be linked to predetermined and measurable criteria and be limited to the equivalent of one fixed annual salary. The total remuneration shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any severance pay shall not exceed one fixed annual salary. The company shall strive to have defined contribution pension plans. The retirement age shall be not less than 60 years and not more than 67 years.

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

President

During the year, the President Bengt Baron received salary of SEK 4,656,473 (4,690,488) variable salary of SEK 500,000 (6,292,990) and other benefits of SEK 130,660 (80,329).

The structure of the variable salary for Bengt Baron has been set so that an annual variable salary equal to a maximum 100 per cent of fixed annual salary is payable on the attainment of extraordinary performance targets.

The retirement age is 65 years. Pension benefits consist of a defined contribution plan for which annual premiums up to the age of retirement are paid in an amount equal to 30 per cent of pensionable salary, comprising fixed monthly salary. Variable salary and benefits are not pensionable. Total pension costs for 2013 amount to SEK 1,373,329 (1,448,386).

The term of notice for the President and CEO is six months. In the event of dismissal by the company, the term of notice is 12 months. The President and CEO is also entitled to termination benefits corresponding to one year's salary and corresponding pension provisions.

Other Group Management

During the year, the other members of Group Management (ten individuals) received total salaries of SEK 19,993,702 (19,785,259), variable salaries of SEK 2,355,000 (12,172,795) and other benefits of SEK 1,218,838 (249,553).

The structure of variable salary to the other members of Group Management has been set so that an annual variable salary of between 60 per cent and 100 per cent of fixed annual salary is payable on the attainment of extraordinary performance targets.

Pension benefits vary depending on the agreements and practices in the country where the person is employed, but in almost all cases they consist of defined contribution plans for which annual premiums are paid as part of pensionable salary up to the age of retirement. In almost all cases, variable salary and benefits are not pensionable. Total pension costs for 2013 amount to SEK 5,299,581 (5,643,820).

The terms of notice for the other members of Group Management are six months on the part of the employee and vary between 12 and 18 months on the part of the company.

Incentive schemes

In 2012 Cloetta's principal shareholders at that time, AB Malfors Promotor, Nordic Capital and CVC (through holding companies), issued call options that members of Group Management have acquired on market terms. The call options have been granted by the aforementioned principal shareholders in order to promote commitment to the company's development.

In addition, the 2013 Annual General Meeting approved the Board's proposal regarding the introduction of a share-based long-term incentive plan to align the interests of the shareholders on the one hand with those of the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation. Total costs related to the share-based long-term incentive plan that were recognised in 2013 for the Group Management amount to SEK 0.9m, of which SEK 0.1m is related to the President.

See Notes 21, 31 and 33 for further details about share-based payments.

Preparatory and decision-making process

The Board of Directors has set up a remuneration committee consisting of four members. The remuneration committee has prepared recommendations for the Board's decision on issues relating to remuneration principles, the amount of remuneration and the terms of employment for the Group Management Team. These recommendations have included the proportional relationship between fixed and variable remuneration and the size of any salary increases. The remuneration committee has also discussed pension terms and termination benefits.

Remuneration to the President for the financial year 2013 has been determined by the Board. Remuneration to other senior executives has been decided by the President. Since the AGM on 11 April 2013, the remuneration committee has met on three occasions. The proposed guidelines for remuneration to Group Management in 2014 that will be presented to the AGM on 29 April 2014 for approval are identical to the current ones.

NOTE 7 Restructuring

SEKm	2013	2012[1]
Integration and factory restructuring	–167	–272
Other restructuring	–	–37
Total	**–167**	**–309**
Corresponding line in the consolidated profit and loss account:		
Net sales	–	–1
Cost of goods sold	–121	–121
Other income	12	13
Selling expenses	–4	–13
General and administrative expenses	–54	–187
Total	**–167**	**–309**

1 Includes non-cash capital losses for the divestments of the distribution business in Belgium and Denmark Ejendomsselskab amounting to SEK 47m.

NOTE 8 Audit fees

SEKm	2013	2012
Fees for auditing services		
KPMG	5	2
PWC	–	4
Total auditing services	**5**	**6**
Fees for other services		
KPMG		
– Tax advice	0	–
– Audit-related advice	0	2
– Other	1	–
PwC		
– Tax advice	–	2
Total other services	**1**	**4**
Total audit fees	**6**	**10**

Auditing services refer to the auditing of the annual financial statements, the accounts and the company's administration by the Board of Directors and the President, other tasks that are the responsibility of the company's auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks.

At the AGM on 11 April 2013, KPMG was appointed as the sole auditor of the Group. As a result, for 2013 only fees paid to KPMG are disclosed.

NOTE 9 Financial income and expense

SEKm	2013	2012
Exchange differences in borrowings and cash and cash equivalents in foreign currencies	–12	20
Interest income, third party-borrowing	2	4
Interest income, related parties	–	1
Other financial income at amortised cost	**2**	**5**
Unrealised gains on single currency interest rate swaps[1]	22	–
Other financial income at fair market value	**22**	**–**
Total other financial income	**24**	**5**
Interest expenses, third-party borrowings	–131	–120
Interest expenses, third-party pensions	–12	–13
Interest expenses, third-party leases	–	0
Other financial expenses, third parties	–55	–80
Interest expenses, related parties	–	–61
Other financial expenses at amortised cost	**–198**	**–274**
Unrealised losses on single currency interest rate swaps[1]	0	–4
Realised losses on single currency interest rate swaps[1]	–22	–12
Other financial expenses at fair market value	**–22**	**–16**
Total other financial expenses	**–220**	**–290**
Net financial items	**–208**	**–265**

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

NOTE 10 Income taxes

SEKm	2013	2012
Current income tax	–7	–6
Deferred income tax	61	73
Total	**54**	**67**
The year's income tax expense corresponds to an effective tax rate of, %	–25.7	47.6

THE DIFFERENCE BETWEEN THE EFFECTIVE TAX RATE AND THE STATUTORY TAX RATE IN SWEDEN IS ATTRIBUTABLE TO THE FOLLOWING ITEMS:

SEKm	2013	2012
Taxable profit/loss from ordinary activities	210	–140
Tax calculated at applicable tax rate for the Parent Company	–46	37
International rate differences	–6	4
State and local taxes	–7	–8
Result investments/divestments, non-taxable	–	20
Expenses not deductible for tax purposes	–3	–18
Adjustments recognised in the period for tax of prior periods	10	5
Effect of rate changes	18	49
Tax losses for which no deferred income tax asset was recognised in previous years	75	28
Tax losses for which no deferred income tax asset was recognised in book year	–7	–9
Other	20	–41
Tax benefit/(expense)	**54**	**67**
Reported effective tax rate, %	**–25.7**	**47.6**
Tax rate of Parent Company, %	22.0	26.3

The applicable tax rate is based on the current enacted tax rate for the Parent Company, which is the Swedish current tax rate for 2013 of 22.0 per cent (26.3 per cent).

The effective tax rate differs from the applicable tax rate mainly due to a positive effect arising from developments in an ongoing tax audit that has been included in the tax losses for which no deferred income tax asset was recognised in previous years, positive effects resulting from changes in enacted tax rates and positive effects from 2012 corporate income tax filings. Furthermore, at year-end deferred tax assets and liabilities were revalued for changes in enacted tax rates in Finland, Norway, Denmark, the United Kingdom and Slovakia and the impact of the re-assessment of a deferred tax asset for recognised unused tax credits. These positive effects have been partially offset by the effect of international rate differences, losses realised during the year for which no deferred tax assets were recognised and non-deductible expenses.

The weighted average applicable tax rate is based on the relative proportion of the group companies' contribution to profit and loss account and the tax rates ruling in the countries concerned.

NOTE 11 Intangible assets

Historical cost SEKm	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2012					
Acquisition or production costs	2,825	2,019	126	27	4,997
Accumulated amortisation and impairments	–	–83	–77	–26	–186
Book value at 1 January 2012	**2,825**	**1,936**	**49**	**1**	**4,811**
Movements in 2012					
Business combinations	338	50	2	14	404
Additions	–	–	25	4	29
Exchange differences	–62	–67	–3	1	–131
Divestments	–	–	0	–	0
Amortisation	–	–	–13	–1	–14
Total	**276**	**–17**	**11**	**18**	**288**
31 December 2012					
Acquisition or production costs	3,101	1,999	159	28	5,287
Accumulated amortisation and impairments	–	–80	–99	–9	–188
Book value at 31 December 2012	**3,101**	**1,919**	**60**	**19**	**5,099**
Movements in 2013					
Business combinations	8	19	0	10	37
Additions	–	–	29	0	29
Exchange differences	60	45	1	0	106
Divestments	–	–	0	–	0
Impairments	–	–	–1	–	–1
Amortisation	–	–	–16	–2	–18
Total	**68**	**64**	**13**	**8**	**153**
31 December 2013					
Acquisition or production costs	3,169	2,065	190	39	5,463
Accumulated amortisation and impairments	–	–82	–117	–12	–211
Book value at 31 December 2013	**3,169**	**1,983**	**73**	**27**	**5,252**
Estimated economic useful life	*indefinite*	*indefinite*	*3–5 years*	*5 years – indefinte*	

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Capitalised software relates primarily to external fees for software implementation, the purchase price of the software itself and harmonisation of the IT infrastructure. Software amortisation of SEK 16m (13) is included in general and administrative expenses. The impairment losses on intangibles assets have been charged to general and administrative expenses (see Note 3).

The carrying amount of software includes an amount of SEK 10m (21) for software under construction, of which SEK 9m relates to a business intelligence tool that was under development in Cloetta Sverige AB at year-end 2013.

The other intangibles consist mainly of benefits related to the right to free electricity and a capitalised recipe attributable to the acquisition of FTF Sweets Ltd..

All of the recognised trademarks have been pledged except for the trademark Goody Good Stuff for the benefit of Svenska Handelsbanken AB and the holders of senior secured notes (see Note 23).

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS

Goodwill and trademarks do not generate cash inflows that are largely independent of those from other assets. These are therefore allocated to the cash-generating unit (CGU) or group of CGUs expected to benefit most from these assets. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. A group of CGUs is not larger than an operating segment.

The estimated recoverable amount of all CGUs and groups of CGUs has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate.

Most of the important assumptions in the calculations are based on the anticipated growth rate and pre-tax discount rate. The assumptions are based on prior experience and external information sources. The assumed growth target is in line with the Group's long-term goal for organic growth and the management's judgement.

These assumptions have been used for the analysis of each CGU and group of CGUs within the impairment analysis. The budgeted figures are based on past performance and management's expectations of market development. The weighted average growth rates used are consistent with the forecasts used within the Group. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry.

FOR IMPAIRMENT TESTING, THE FOLLOWING KEY ASSUMPTIONS HAVE BEEN USED:

%	Terminal growth rate 2013	Terminal growth rate 2012	Pre-tax discount rate 2013	Pre-tax discount rate 2012
South/Italy	2	2	12	8
Scandinavia/Sweden	2	2	9	8
Finland	2	2	9	8
Middle/The Netherlands	2	2	9	8
Group	2	2	9	8

Goodwill

IAS 36 requires goodwill to be allocated to a CGU or group of CGUs not larger than an operating segment. Allocation has therefore been made to the groups of CGUs that correspond to the operating segments that are expected to benefit most, which are the commercial organisations of Scandinavia, Finland, Middle and South.

THE FOLLOWING SUMMARY SPECIFIES THE ALLOCATION OF GOODWILL TO THE DIFFERENT GROUPS OF CASH-GENERATING UNITS:

SEKm	Opening balance	Additions	Adjustment purchase price allocation	Exchange rate differences	Closing balance
Scandinavia	611	50	–	–23	638
Finland	912	–	–	–31	881
Middle	166	–	–	–5	161
South	247	–	–	–8	239
At 31 December 2012	**1,936**	**50**	**–**	**–67**	**1,919**
Scandinavia	638	–	–	–	638
Finland	881	–	–	31	912
Middle	161	18	1	6	186
South	239	–	–	8	247
At 31 December 2013	**1,919**	**18**	**1**	**45**	**1,983**

The estimated recoverable amount of the groups for CGUs of South and Middle exceeds its carrying amount by approximately SEK 93m (399) and SEK 175m (179). If the growth rate decreases by 0.7 percentage point to 1.3% (1.9 percentage point to –0.1%) and 1.2 percentage point to 0.8% (1.0 percentage point to 0.8%) or the pre-tax discount rate increases with by 0.7 percentage points to 12.5% (1.9 percentage points to 9.9%) and by 1.3 percentage points to 10.4% (1.1 percentage point to 8.1%) the estimated recoverable amount of the CGU will be equal to its carrying amount.

Trademarks

For trademarks, the related CGUs are the commercial organisations of the countries where the respective trademarks are found. 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	Opening balance	Additions	Exchange rate differences	Closing balance
Sweden	960	338	10	1,308
Finland	462	–	–18	444
The Netherlands	642	–	–25	617
Italy	712	–	–27	685
Other (corporate assets)	49	–	–2	47
At 31 December 2012	**2,825**	**338**	**–62**	**3,101**
Sweden	1,308	–	–	1,308
Finland	444	–	15	459
The Netherlands	617	–	21	638
Italy	685	–	23	708
Other (corporate assets)	47	8	1	56
At 31 December 2013	**3,101**	**8**	**60**	**3,169**

The estimated recoverable amount of the CGU of Italy exceeds its carrying amount by approximately SEK 179m (208). If the growth rate decreases by 1.9 percentage points to 0.1% (1.1 percentage point to 0.7%) or the pre-tax discount rate increases by 1.6 percentage points to 13.4% (1.4 percentage points to 9.4%) the estimated recoverable amount of the CGU Italy will be equal to its carrying amount.

Corporate assets

Group-wide assets and liabilities, including the right of free electricity and software under construction that cannot be directly allocated on a reasonable and consistent basis to the CGUs or groups of CGUs, are classified as corporate assets. A group impairment analysis has been performed where the carrying amount of the total group of CGUs, including the portion of the carrying amount representing the Group's corporate assets, is compared with the total recoverable amount.

NOTE 12 Property, plant and equipment

Historical cost SEKm	Land and buildings	Machinery and equipment	Assets under construction	Total
1 January 2012				
Acquisition or production costs	1,027	2,134	45	3,206
Accumulated depreciation and impairments	–476	–1,412	–	–1,888
Book value at 1 January 2012	**551**	**722**	**45**	**1,318**
Movements in 2012				
Business combinations	119	245	34	398
Divestment subsidiaries	–18	–1	–	–19
Additions	7	64	169	240
Transfers	27	100	–127	–
Disposals	0	–5	0	–5
Exchange differences	–18	–25	–2	–45
Impairments	–15	–54	–	–69
Depreciation	–18	–134	–	–152
Reclassified to assets held for sale	–55	0	–	–55
Total	**29**	**190**	**74**	**293**
31 December 2012				
Acquisition or production costs	980	2,906	119	4,005
Accumulated depreciation and impairments	–400	–1,994	–	–2,394
Book value at 31 December 2012	**580**	**912**	**119**	**1,611**
Movements in 2013				
Additions	3	20	159	182
Transfers	5	230	–235	–
Disposals	–4	–3	–	–7
Exchange differences	16	21	2	39
Impairments	–	–6	–	–6
Depreciation	–14	–145	–	–159
Total	**6**	**117**	**–74**	**49**
31 December 2013				
Acquisition or production costs	930	3,139	45	4,114
Accumulated depreciation and impairments	–344	–2,110	–	–2,454
Book value at 31 December 2013	**586**	**1,029**	**45**	**1,660**
Estimated economic useful life	*Buildings: 20–50 years Land: Indefinite*	*3–40 years*	*N/A*	

A significant share of land and buildings are secured through mortgages held by Svenska Handelsbanken AB and the holders of senior secured notes (See Note 23).

Depreciation expenses of SEK 159m (152) have been charged in cost of goods sold, selling expenses and general and administrative expenses. The impairment losses on property, plant and equipment have been charged to cost of goods sold (see Note 3).

The impairments relate mainly to the sale of machinery and equipment in connection with the supply chain restructuring. The impairment is the difference between the carrying amount and the higher of value in use and fair value less costs to sell. In these cases, fair value less costs to sell is the higher. Fair value less costs to sell for the impaired assets is zero, except for three assets for which the expected residual value amounts to SEK 2m.

In 2012 decisions were made to close the factories in Alingsås, Sweden, Aura, Finland and Gävle, Sweden. A decision was also made to rationalise warehousing operations in Scandinavia. The factory in Alingsås was closed in 2012 and sold in 2013. The factory in Aura was closed and sold in 2013. The factory in Gävle is expected to be closed in the first quarter of 2014.

As a result of the merger, the sales organisations of Cloetta Sverige AB and Cloetta Produktion Sverige AB have been integrated into one. This integration was started in 2012 and was finalised in 2013.

At 31 December 2013, the Group had contractual commitments for acquisitions of machinery and equipment for an amount of SEK 18m (65).

THE BREAKDOWN OF NON-CURRENT ASSETS EXCLUDING FINANCIAL ASSETS AND DEFERRED TAX ASSETS AND IAS 19R ASSETS BY COUNTRY IS AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec2012
Sweden	2,644	2,628
Finland	1,373	1,341
Italy	1,332	1,217
The Netherlands	1,135	1,161
Other countries	428	363
Total	**6,912**	**6,710**

NOTE 13 Deferred tax assets and liabilities

SEKm	Tax losses carried forward	Unused tax credits	Property, plant and equipment	Intangible assets	Provisions (incl. pensions)	Other current assets and liabilities	Total
1 January 2012	289	9	–93	–519	31	2	–281
Business combinations and divestments	–22	–	–1	–95	–70	6	–182
Profit and loss account (charge)/ credit for the year	–1	34	–1	–29	34	4	41
Return to accrual	5	–	–2	–	0	–2	1
Effect of rate changes	–2	11	–1	38	–	3	49
Exchange differences/Other	–10	–2	–2	30	10	–5	21
31 December 2012	**259**	**52**	**–100**	**–575**	**5**	**8**	**–351**
Business combinations and divestments	–	–	–	–4	–	–	–4
Profit and loss account (charge)/ credit for the year	10	19	–35	–25	2	41	12
Return to accrual	1	–	15	–2	3	–1	16
Effect of rate changes	–8	–2	–1	28	–1	0	16
Exchange differences/Other	25	2	1	–20	30	–51	–13
31 December 2013	**287**	**71**	**–120**	**–598**	**39**	**–3**	**–324**

DEFERRED TAX ASSETS AND LIABILITIES CAN BE BROKEN DOWN AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Deferred tax assets	73	473
Deferred tax liabilities	–397	–824
Total	**–324**	**–351**

Deferred tax assets refer, among other things, to the difference between the tax base of the defined asset or liability and its carrying amount and the recognised tax losses carried forward.

THE AMOUNTS ARE AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Deferred tax asset to be realised after more than 12 months	56	359
Deferred tax asset to be realised within 12 months	17	114
Total	**73**	**473**

THE COMPOSITION OF DEDUCTIBLE TEMPORARY DIFFERENCES (RECOGNISED AS WELL AS UNRECOGNISED), UNUSED TAX CREDITS AND TAX LOSSES CARRIED FORWARD ARE AS FOLLOWS:

	31 Dec 2013		31 Dec 2012	
SEKm	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	131	–	162	–
Unused tax credits	71	2	52	32
Tax losses carried forward	287	64	259	57
Total	**489**	**66**	**473**	**89**

For the unrecognised deductible temporary differences, unused tax credits and tax losses carried forward, it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities within the same tax group or tax jurisdiction. While judging this probability, management took into account all intended tax planning strategies, financial forecast figures and prior year taxable income.

The unused tax credits relate to a tax abatement granted by the Slovakian government. This tax abatement means that a maximum amount of around SEK 84m of income tax liabilities will be waived by the Slovakian government during the period from 2013 to 2018.

The expiration dates for the tax losses carried forward range from 7 years to unlimited.

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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.

The majority of the taxable temporary differences for which a deferred tax liability is recognised, as the Group will be able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will be reversed in the foreseeable future.

SEKm	31 Dec 2013	31 Dec 2012
Deferred tax liability to be recovered after more than 12 months	447	734
Deferred tax liability to be recovered within 12 months	–50	90
Total	**397**	**824**

The deferred tax liability is the netted amount of the deferred assets and liabilities for so far there is a legally enforceable right to offset these assets and liabilities and these are related to income taxes levied by the same taxation authority. The short term part of this net liability are deferred tax assets mainly related to losses carried forward insofar these are expected to be utilised during 2014 while the long-term part is mainly related to the temporary difference on intangible assets.

CURRENT INCOME TAX:

SEKm	31 Dec 2013	31 Dec 2012
Current income tax receivables	0	4
Current income tax liabilities	–99	–97
Total	**–99**	**–93**

NOTE 14 Financial assets

SEKm	31 Dec 2013	31 Dec 2012
Registration fees	7	7
Deposits	1	1
Tax indemnity receivable	82	78
Other financial assets	1	2
Total	**91**	**88**

In 2012 the tax indemnity receivable was classified as a receivable from related parties. See Note 33 for more details about receivables from related parties.

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

None of the different classes of non-current financial assets contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

NOTE 15 Inventories

INVENTORIES FOR OWN USE AND RESALE:

SEKm	31 Dec 2013	31 Dec 2012
Raw materials and consumables	264	241
Work in progress	51	56
Finished goods and goods for resale	483	476
Total	**798**	**773**

MOVEMENTS IN THE PROVISION FOR OBSOLETE INVENTORY AMOUNTS ARE AS FOLLOWS:

SEKm	2013	2012
At 1 January	**19**	**11**
Business combinations	–1	4
Additions	8	13
Release	–7	–5
Write-downs	–9	–3
Exchange differences	0	–1
At 31 December	**10**	**19**

Inventories have been pledged as security for borrowings from Svenska Handelsbanken AB and the holders of senior secured notes (see Note 23).

NOTE 16 Trade and other receivables

SEKm	31 Dec 2013	31 Dec 2012
Trade debtors	824	835
Provision for impairment of trade receivables	–14	–10
Trade receivables – net	**810**	**825**
Other receivables	87	88
Receivables from related parties	–	5
Prepaid expenses and accrued income	36	33
Total	**933**	**951**

Part of the trade and other receivables have been pledged as security for borrowings from Svenska Handelsbanken AB and the holders of senior secured notes (see Note 23).

As of 31 December 2013, provisions were made for trade receivables of SEK 14m (10). The individual receivables for which provisions were made relate to uncollectible receivables.

See Note 33 for more details about receivables from related parties.

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES ARE AS FOLLOWS:

SEKm	2013	2012
At 1 January	**10**	**11**
Business combinations	1	0
Provision for impairment of receivables	9	9
Receivables written off during the year as uncollectible	–7	–8
Unused amounts reversed	0	0
Exchange differences	1	–2
At 31 December	**14**	**10**

THE AGE ANALYSIS OF THESE TRADE RECEIVABLES IS AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Up to 60 days	0	0
60 to 90 days	0	0
Over 90 days	14	10
Total	**14**	**10**

The other classes within trade and other receivables do not contain impaired assets.

As of 31 December 2013, trade receivables of SEK 165m (160) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

THE AGE ANALYSIS OF THESE TRADE RECEIVABLES IS AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Up to 60 days	137	128
60 to 90 days	5	11
Over 90 days	23	21
Total	**165**	**160**

The carrying amounts are assumed to approximate the fair values of trade receivables and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

THE CARRYING AMOUNTS OF THE GROUP'S TRADE RECEIVABLES ARE DENOMINATED IN THE FOLLOWING CURRENCIES:

SEKm	31 Dec 2013	31 Dec 2012
Euro	506	560
US dollar	2	0
Great Britain pound	28	19
Swedish krona	195	197
Norwegian krone	23	24
Danish krone	52	23
Other currencies	4	2
Total	**810**	**825**

THE BREAKDOWN OF PREPAID EXPENSES AND ACCRUED INCOME IS AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Prepaid personnel-related expenses	9	2
Prepaid rents, insurance and lease charges	5	3
Other prepaid expenses	21	28
Other accrued income	1	–
Total	**36**	**33**

NOTE 17 Cash and cash equivalents

THE ITEM CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED CASH FLOW STATEMENT AND CONSOLIDATED BALANCE SHEET CONSISTS OF THE FOLLOWING:

SEKm	31 Dec 2013	31 Dec 2012
Cash and cash equivalents	167	306
Total	**167**	**306**

All cash and cash equivalents are available on demand.

Svenska Handelsbanken provided the Group with a Notional Group Account (NGA). The NGA enables Cloetta AB (publ) and its subsidiaries to use the funds available as deposited in the bank in one or more currencies for the purpose of efficient liquidity management and daily payments in the ordinary course of business. The NGA provides the possibility of making withdrawals from accounts held by the bank in different currencies and in different countries without the necessary funds being available in the respective amount, provided that the corresponding funds are available considering the balances on all accounts in the NGA and any amounts available for this purpose pursuant to any credit facility and/or intraday overdraft facility agreed upon separately. The NGA is based on and connects accounts in local account structures in different countries in which group companies participate as sub-account holders.

THE FOLLOWING TABLE SHOWS THE CARRYING AMOUNTS OF RECOGNISED OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES RELATING TO THE NOTIONAL CASH POOL:

2013 SEKm	Gross amounts of financial instruments	Set off in the balance sheet	Net amount presented in the balance sheet	Related financial instruments that are not offset	Net amount
Cash and cash equivalents	–59	32	–27	194	167
Total assets	**–59**	**32**	**–27**	**194**	**167**
Loans from credit institutions	41	32	73	3,235	3,308
Total liabilities	**41**	**32**	**73**	**3,235**	**3,308**

2012 SEKm	Gross amounts of financial instruments	Set off in the balance sheet	Net amount presented in the balance sheet	Related financial instruments that are not offset	Net amount
Cash and cash equivalents	–	–	–	306	306
Total assets	**–**	**–**	**–**	**306**	**306**
Loans from credit institutions	–	–	–	3,263	3,263
Total liabilities	**–**	**–**	**–**	**3,263**	**3,263**

NOTE 18 Assets held for sale

ALL ASSETS HELD FOR SALE RELATE TO PROPERTY, PLANT AND EQUIPMENT AND CONSIST OF THE FOLLOWING:

SEKm	2013	2012
At 1 January	**35**	**15**
Reclassified from property, plant and equipment	–	55
Disposals	–20	–35
Exchange rate differences	0	0
At 31 December	**15**	**35**

The assets held for sale at 31 December 2013 are the land and building in Zola Predosa, Italy.

The assets held for sale are categorised at level 3 of the fair value hierarchy. See Note 31 for a total overview of the Group's assets and liabilities that are measured at fair value.

In 2012 decisions were made to close the factories in Alingsås, Sweden and Aura, Finland. The factories in Alingsås, Sweden, Aura, Finland and Zola Predosa, Italy were classified as assets held for sale at 31 December 2012.

NOTE 19 Equity

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 monitors dividends to the shareholders.

The company's long-term intention is a payout of 40–60 per cent of profit after tax. In the coming years, the primary focus will be on reinvesting the company's strong cash flow for continued repayments of bank loans, while at the same time allowing for complementary acquisitions. No dividend was paid in 2012 or 2013.

GROUP EQUITY

Share capital

The number of shares authorised, issued and fully paid up at 31 December 2013 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

RECONCILIATION OF THE NUMBER OF SHARES OUTSTANDING AT THE BEGINNING AND END OF THE PERIOD:

	2013	2012
At 1 January	**288,619,299**	**24,319,186**
Conversion of convertible loan	–	367,289
Directed new share issue	–	165,186,924
Rights issue	–	98,745,900
At 31 December	**288,619,299**	**288,619,299**

Neither Cloetta AB (publ) nor any subsidiary has held any shares in Cloetta during the year.

Other paid in capital

On 7 March 2012, the Board of Directors exercised the authorisation granted by the Extraordinary General Meeting on 15 February 2012 to resolve on a rights issue of no more than 9,861,614 class A shares and 89,305,900 class B shares. The purpose of the rights issue was to use the proceeds of the issue for repayment of the vendor loan note that Cloetta AB (publ) issued to Yllop Holding S.A. as part of the purchase price for Leaf Holland B.V. (currently known as Cloetta Holland B.V.) The previous owners of Leaf Holland B.V. (Nordic Capital Fund V and funds managed by CVC Capital Partners) through Yllop Holding S.A., which held 165,186,924 class C shares following the issue in kind, were not entitled to subscription rights in the rights issue, but committed together with AB Malfors Promotor to fully underwrite the rights issue without charging the customary underwriting commission.

Each existing A share and B share in Cloetta entitled the holder to one subscription right that granted the right to four new shares of the respective share class. The exercise price was SEK 10.79 per new share. On 13 April 2012 it was announced that Cloetta's rights issue had been fully subscribed. Approximately 99.6 per cent of the offered shares were subscribed for through the exercise of subscription rights. The rights issue has provided Cloetta with proceeds of SEK 1,065m before issue expenses. As a result of the rights issue, Cloetta's share capital was increased by SEK 493,729,500 to SEK 1,443,096,495. At 31 December 2013 the share capital was divided between 288,619,299 shares, of which 9,861,614 were of class A and 278,757,685 were of class B.

Cloetta's former SEK 30m convertible debenture loan for the employees ran from 14 May 2009 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. At 16 February 2012 the conversion had resulted in a total increase in the share capital by SEK 2m and the share premium reserve by SEK 9m.

Translation differences reserve

Reserves consist of all exchange gain/losses arising on translation of the financial statements of foreign operations which present their financial statements in a currency other than that used by the Group.

Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the other paid-in capital represent the amount of non-restricted equity available for distribution to the shareholders.

Changes in equity

For disclosures about changes in equity in the Group, see the consolidated statements of changes in equity on page 72.

Share-based payments

See Note 21 for further details about share-based payments.

NOTE 20 Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding adjusted for the dilutive effect of potential shares.

THE CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE HAS BEEN BASED ON THE FOLLOWING PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AND THE WEIGHTED-AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING:

	2013	2012
Profit for the year, attributable to ordinary shareholders (in SEKm) (basic and diluted)	264	–73
Number of issued ordinary shares at 1 January	288,619,299	262,137,526
Effect of rights issue	–	13,994,495
Effect of forward contract to repurchase own shares	–608,352	–
Weighted average number of ordinary shares during the year before dilution	**288,010,947**	**276,132,021**
Effect of share-based payments	15,461	–
Weighted average number of ordinary shares during the year after dilution	**288,026,408**	**276,132,021**
Basic earnings per share, SEK	**0.92**	**–0.26**
Diluted earnings per share, SEK	**0.92**	**–0.26**

In 2013 Cloetta entered into a long-term forward contract to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of the share-based long-term incentive plan. Earnings per share at year-end 2013 have been calculated on the average number of shares, adjusted for the effect of the forward contract to repurchase own shares. The forward contract to repurchase own shares covers a total of 1,037,610 Cloetta AB (publ) shares for an amount of SEK 18.50678 per share, causing the dilutive effect of potential shares.

At year-end 2013 Cloetta had no potential ordinary shares, and diluted earnings per share were therefore equal to basic earnings per share.

NOTE 21 Pensions and other long-term employee benefits

The Group has a number of defined benefit pension plans in Sweden, the Netherlands, Belgium, Finland, Germany, Italy and Norway, that refer to pension and other long-term benefit schemes.

For one defined benefit pension plan, the Group accounts as though this was a defined contribution scheme since sufficient information is not available to enable the Group to account for the plan as a defined benefit plan. Cloetta applies the same accounting policies as other participating employers. Sufficient information is not available, since asset administration of the fund is not designed to allocate the total assets of the fund to the participating companies. In the event of a deficit in this pension fund, the Group has no obligation to provide further contributions other than higher future contributions. Monthly premiums are average premiums expressed as a percentage of the pension calculations basis and should, as a minimum, cover the cost of the fund. The minimum pension premium is determined in accordance with the actuarial and business note of the fund. In case of liquidation of the fund, an amount that is sufficient to cover defined benefits will be secured. In case of a deficit in the fund at moment of liquidation, the defined benefits will be proportionally reduced taken into consideration article 134 of the Dutch pension act. Contributions to the plan for the next annual year are expected to amount to SEK 26m. These can be split in employer contributions of SEK 17m and employee contributions of SEK 9m. At year end 2013, the coverage of the pension fund was 113.5 per cent.

The main benefit plans in the Group are:

Sweden ITP2 plan:

The ITP2 plan covers employees born before 1979. Benefits provided in the old defined benefit plan include a final pay-based retirement pension. This plan is an unfunded defined benefit plan.

The ITP plan benefit formula provides pension benefits as a percentage of salary. Benefits will be reduced proportionally if the expected years of service, within the plan and irrespective of employer, is less than 30 years. ITP plan benefits vested with former employers are indexed according to the consumer price index.

Finland Leaf/Merijal plan:

The plan is an insured voluntary final salary pension plan. It was established on 31 December 2005 when the liabilities and assets of Merijal Pension Foundation and Leaf Pension Foundation were transferred to Pohjola Life Insurance Company.

The Netherlands – supplementary pension scheme

Post-employment compensation rights under the Dutch supplementary pension scheme are built-up based on average pay and years of service. The supplementary pension scheme is a funded scheme operated by "Stichting Bedrijfstakpensioenfonds voor de Zoetwarenindustrie" under the Dutch pension act. In case of a deficit, the fund can adjust the contribution to reach the required coverage. Funds are invested in several investment categories such as shares and bonds. These investments take place in accordance with the investment strategy determined by the board of the fund.

Norway

There is one plan, which is insured in a life insurance company. This funded plan, together with the national pension scheme, provides an old age pension of 66 per cent of final salary. Included is a widow(er)s pension equal to 60 per cent of the old age pension and children's pension equal to 50 per cent of the old age pension. Members who become disabled will receive a disability pension equal to the old age pension they would have received with their present salary.

Italy – TFR plan

The Trattamento di Fine Rapporto (TFR) benefit is a deferred compensation plan established by Italian law. Employers are required to provide a benefit to employees when, for any reason, their employment is terminated, i.e. in the case of retirement, death, disability and turnover.

THE TOTAL PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS CAN BE DETERMINED AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Obligations for:		
Pension benefits	360	439
Other long-term employee benefits (for jubilee payments) ('OLEB')	0	13
Total	**360**	**452**

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The reduction in the provision recognised for OLEB is mainly attributable to the termination of long-term service awards schemes during the year. These schemes have been replaced by new short-term employee benefit plans and the changes have been accounted for as a plan amendment. As a result of this, the effect is recorded in the profit and loss account.

THE AMOUNTS RECOGNISED IN THE BALANCE SHEET ARE DETERMINED AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Present value of funded obligations	113	125
Fair value of plan assets	–97	–90
Deficit of funded plans	**16**	**35**
Present value of unfunded obligations	344	417
Total deficit of defined benefit pension plans	**360**	**452**
Liability in the balance sheet	**360**	**452**

MOVEMENTS IN THE COMBINED NET DEFINED BENEFIT OBLIGATIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS OVER THE YEAR ARE AS FOLLOWS:

SEKm	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
At 1 January 2012	**336**	**–87**	**249**	**–**	**249**
Current service cost[1]	13	–	13	–	13
Interest expense/(income)	17	–3	14	–	14
Remeasurements:					
- Return on plan assets, excluding amounts included in interest expense/(income)	–	0	0	–	0
- (Gain)/loss from change in demographic assumptions	0	–	0	–	0
- (Gain)/loss from change in financial assumptions	63	–	63	–	63
- Experience (gains)/ losses	10	–	10	–	10
Total remeasurements	**73**	**0**	**73**	**–**	**73**
Exchange differences	–5	2	–3	–	–3
Contributions:					
- Employers	–	–18	–18	–	–18
- Plan participants	1	–1	–	–	–
Payments from plans					
- Benefit payments	–18	18	–	–	–
Plan amendments	131	–	131	–	131
Acquired in a business combination	–7	–	–7	–	–7
At 31 December 2012	**541**	**–89**	**452**	**–**	**452**
Current service cost	14	–	14	–	14
Interest expense/(income)	14	–2	12	–	12
Remeasurements:					
- Return on plan assets, excluding amounts included in interest expense/(income)	–	–1	–1	–	–1
- (Gain)/loss from change in demographic assumptions	–4	–	–4	–	–4
- (Gain)/loss from change in financial assumptions	–86	–	–86	–	–86
- Experience (gains)/ losses	5	–	5	–	5
Total remeasurements	**–85**	**–1**	**–86**	**–**	**–86**
Exchange differences	2	0	2	–	2
Contributions:					
- Employers	–	–20	–20	–	–20
- Plan participants	1	–1	–	–	–
Payments from plans					
- Benefit payments	–16	16	–	–	–
Plan amendments	–14	–	–14	–	–14
At 31 December 2013	**457**	**–97**	**360**	**–**	**360**

1 In connection with the closure of the factories in Aura, Finland, and Alingsås, Sweden, and the restructuring of the Swedish commercial organisation, curtailments were recognised. The impact of these curtailments is reflected in the profit and loss account as a service cost component.

THE DEFINED BENEFIT OBLIGATION AND PLAN ASSETS ARE COMPOSED BY COUNTRY AS FOLLOWS:

	Present value of obligation		Fair value of plan assets		Defined benefit obligation	
SEKm	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2013**	**31 Dec 2012**
Sweden	279	340	–16	–16	263	324
Norway	22	36	–20	–22	2	14
Italy	66	67	–	–	66	67
The Netherlands	27	34	–24	–18	3	16
Other countries	63	64	–37	–33	26	31
Total	**457**	**541**	**–97**	**–89**	**360**	**452**

THE SIGNIFICANT ACTUARIAL ASSUMPTIONS WERE AS FOLLOWS:

%	31 Dec 2013	31 Dec 2012
Discount rate	3.48	2.62
Expected rate of future salary increases	2.19	2.26
Expected rate of future increase for benefits in payment	1.31	1.28
Expected long-term inflation rate	1.85	1.85

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory.

THESE ASSUMPTIONS TRANSLATE INTO AN AVERAGE LIFE EXPECTANCY IN YEARS FOR A PENSIONER RETIRING AT AGE 67 IN THE NETHERLANDS AND 65 IN OTHER COUNTRIES:

	2013	
Years	Sweden	Others
Retiring at the end of the reporting period:		
- Male	20	20
- Female	23	23
Retiring 20 years after the end of the reporting period		
- Male	40	39
- Female	43	43

THE SENSITIVITY OF THE COMBINED NET DEFINED BENEFIT OBLIGATIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS TO CHANGES IN THE WEIGHTED PRINCIPAL ASSUMPTIONS IS AS FOLLOWS:

	Impact on defined benefit obligation		
SEKm	**Change in assumptions**	**Increase in assumptions**	**Decrease in assumptions**
Discount rate	1 %-point	–17	17
Salary growth rate	1 %-point	7	–7
Pension growth rate	1 %-point	12	–12
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		6.61	–6.35

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Plan assets for both 2012 and 2013 consist to 100 per cent of insurance contracts. Expected employer contributions to defined benefit schemes for the year ending 31 December 2014 amount to SEK 19m.

THE EXPECTED MATURITY ANALYSIS FOR UNDISCOUNTED COMBINED NET DEFINED BENEFIT OBLIGATIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS IS AS FOLLOWS:

	Less than 3 years	Between 3–7 years	Between 7–15 years	Over 15 years	Total
Defined benefit obligation by expected maturity	2	5	144	306	457

The total pension costs amounting to SEK 11m (23) are included in general and administrative expenses, costs of goods sold, selling expenses and financial income and expenses in the profit and loss account.

Share-based payments

Participation in Yllop Holding S.A. (formerly known as LEAF Holding S.A.)

In 2012, at the time of the merger of Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) and Cloetta AB (publ), members of key management of the former LEAF Group held depository receipts over ordinary shares of Yllop Holding S.A. (formerly known as Leaf Holding S.A.). The underlying shares were held by two foundations or via direct ownership, which issued depository receipts to the key management. According to IFRS 2 the Group operated an equity-settled based compensation plan, which means that the fair value of the employee services received in exchange for the share capital was recognised as an expense at the date of grant. Given that the employees had paid the fair market value of the share capital, the fair value of the services received in exchange of the share capital is nil.

On 16 February 2012 the underlying shares of Leaf Holland B.V. were sold to Cloetta AB (publ). This transaction is therefore an exit for all owners of Yllop Holding S.A.(as Yllop holding S.A. owned 100 per cent of the shares in Leaf Holland B.V.), as the intention is to liquidate Yllop Holding S.A. in due course. As a result, the shareholdings of key management in Yllop Holding S.A. were settled. Yllop Holding S.A. forwarded the proceeds to the foundations and the foundations forwarded the proceeds received to key management. This transaction did not have any impact on the Group's financial statements for 2012.

THE TRANSACTIONS UNDER THE PREVIOUS ARRANGEMENT CAN BE SUMMARISED AS FOLLOWS:

SEKm	2013	2012
Issued shares at 1 January	–	384,910
Settled during the year	–	–384,910
Issued shares at 31 December	–	–

NON-VOTING SHARES AWARDED TO KEY MANAGEMENT IN 2012 AND 2013 RESPECTIVELY

SEKm	2013	2012
Nature of the arrangement	Award of share capital	Award of share capital
Date of grant	N/A	N/A
Number of instruments awarded	–	–

Call option arrangement

In 2012, Cloetta's principal shareholders at that time, AB Malfors Promotor, Nordic Capital and CVC (through holding companies), issued call options that members of Group Management and one key employee have acquired on market terms. Under the call option agreement, the selected participants were offered the opportunity to purchase options against payment of the fair market value of the options.

The call options have been granted by the principal shareholders in order to promote commitment to the company's development.

Options acquired in the first tranche had an exercise period starting immediately after completion of the merger of LEAF and Cloetta and ended on 16 December 2013. The exercise period of the second tranche of the options is between 17 December 2013 and 16 December 2014, and the exercise period of the third tranche of the options is between 17 December 2014 and 16 December 2015. For the first tranche the call options grant the right to purchase class B shares in the company or to receive the equivalent value in cash. For the second and third tranche the call options grant the right to receive the equivalent value of class B shares in cash. As no service requirements or other vesting conditions are attached, the options acquired in connection with the merger of LEAF and Cloetta vested immediately.

Cloetta is not contributing to the call option scheme and it does not have any impact on the Group's financial statements. The call option scheme will not result in any dilution of the current shareholders' holdings.

The options comprise in the aggregate 15,251,303 class B shares in the company (subject to recalculation according to customary terms).

The initial exercise price of the options is set at SEK 15.76 for all three tranches, corresponding to 120 per cent of the volume-weighted average share price during 10 trading days preceding the date on which the options were offered under the agreement ("the initial share price"). If the share price at the date of the exercise of an option is higher than 180 per cent of the initial share price, a step-up of the exercise price amounting to SEK 0.90 for each whole Swedish krona (SEK 1.00) above 180 per cent of the initial share price will apply.

MOVEMENTS IN THE NUMBER OF OPTIONS OUTSTANDING AND THEIR RELATED EXPIRY DATES ARE AS FOLLOWS:

	Tranche 1	Tranche 2	Tranche 3	Total
Outstanding at start of the year	5,083,761	5,083,767	5,083,775	15,251,303
Exercised during the year	–5,083,761	–	–	–5,083,761
Outstanding at the end of the year	–	5,083,767	5,083,775	10,167,542
Exercisable at end of the year	–	5,083,767	–	5,083,767
Expiry date	16 December 2013	16 December 2014	16 December 2015	

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The fair value of the options is equal to the difference between (i) the fair value of the options at the grant date as determined in accordance with IFRS 2 and (ii) the purchase price paid. The purchase price paid by the group management and one key employee represents the grant date fair value of the options as calculated in accordance with a Black & Scholes simulation model. Accordingly, the arrangement does not result in recognition of a share-based payment expense in these financial statements. Furthermore, as AB Malfors Promotor, Cidron Pord S.a.r.l and Godis Holding S.a.r.l. will deliver the cash to settle the arrangement following the exercise of the options, such a settlement will not have an impact on the company's financial position.

MOVEMENTS IN THE NUMBER OF SHARE OPTIONS OUTSTANDING ARE AS FOLLOWS:

	Number of instruments in thousands	
	2013	2012
At 1 January	15,251	–
Originally granted during the year	–	6,620
Restated granted during the year as a result of rights issue	–	8 ,631
Exercised	–5,084	–
At 31 December	**10,167**	**15,251**
Weighted average exercise price during the period	19.75	N/A

The options outstanding at 31 December 2013 had an exercise price of SEK 15.76 (15.76) and a weighted-average contractual life of 1.5 years (2.0).

The weighted average share price at the date of exercise for share options exercised in 2013 was SEK 19.75.

No amounts were recognised for the above-mentioned share-based payment transactions with Group Management and one key employee in 2012 and 2013 in the financial statements.

Share-based long-term incentive plan

The 2013 Annual General Meeting approved the Board's proposal relating to the introduction of a share-based long-term incentive plan to align the interests of the shareholders on the one hand and Group Management and other key employees on the other hand in order to ensure maximum long-term value creation. The share-based long-term incentive plan covers 45 employees, consisting of the Group Management Team and other key employees. To participate in the plan, a personal shareholding in Cloetta is required. Following a three-year vesting period, the participants will be allocated class B shares in Cloetta free of charge provided that certain conditions are fulfilled.

In order for so-called matching share rights to entitle the participant to class B shares in Cloetta, continued employment with Cloetta is required and the personal shareholding in Cloetta must be continuously maintained. For each invested share one matching share will be granted if above requirements are fulfilled.

In addition, allocation of class B shares on the basis of performance share rights requires the attainment of two performance targets, one of which is related to Cloetta's EBIT and the other to Cloetta's net sales value in 2015. The maximum number of class B shares in Cloetta which may be allocated under the share-based long-term incentive plan shall be limited to 823,500 (subject to possible recalculation), representing approximately 0.3 per cent of the outstanding shares and 0.2 per cent of the outstanding votes. For each invested share a maximum of two till four performance shares will be granted if above requirements are fulfilled. Total costs related to the share-based long-term incentive plan is expected to amount to SEK 18m during the total vesting period of which SEK 4m is recognised in 2013.

The expense for the plan amounts to SEK 4m (0). The total expense is recognised under personnel expenses. The forward contract to repurchase own share amounts to SEK 19m (0) is recognised as a deduction of equity.

MOVEMENTS IN THE NUMBER OF SHARES FOR THE SHARE-BASED LONG-TERM INCENTIVE PLAN ARE AS FOLLOWS:

	Number of instruments in thousands	
	2013	2012
At 1 January	–	–
Initially granted matching shares (Group Management)	56	–
Initially granted performance shares (Group Management)	123	–
Initially granted matching shares (other employees)	150	–
Initially granted performance shares (other employees)	495	–
At 31 December	**824**	–

The total pre-tax expenses for the share-based long-term incentive plan including the mark-up for social securities in accordance with local regulation are accounted for as personnel expenses for the participants in the profit and loss account. Personnel expenses are calculated using the number of shares multiplied by the share price at grant date and taken into consideration the expected number of shares to be granted at the end of the vesting period (consisting of matching and performance shares). The social security mark-up is calculated at the expected number of shares to be granted at the end of the vesting period multiplied by the share price at the end of 2013 in accordance with local regulation. The personnel expenses are allocated to the profit and loss account over the total vesting period of the share-based long-term incentive plan. The calculation for 2013 assumes a 100% performance and that all participants will be with the company at the end of the vesting period.

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NOTE 22 Provisions

TOTAL PROVISIONS CONSIST OF THE FOLLOWING:

SEKm	31 Dec 2013	31 Dec 2012
Provision for reorganisation	31	34
Provision sales return	49	43
Other provisions	6	13
Total	**86**	**90**
Analysis of total provisions		
Non-current	7	11
Current	79	79
Total	**86**	**90**

MOVEMENTS IN PROVISIONS, EXCLUDING PENSION BENEFITS AND OTHER LONG-TERM EMPLOYEE BENEFITS, ARE SPECIFIED AS FOLLOWS:

	Reorganisation	Sales return	Other	Total
1 January 2012	**15**	**45**	**25**	**85**
Business combinations	2	–	–	2
Additions	42	52	9	103
Utilisations	–23	–52	–13	–88
Releases	–1	–	–7	–8
Exchange differences	–1	–2	–1	–4
31 December 2012	**34**	**43**	**13**	**90**
Analysis of total provisions				
Non-current				11
Current				79
Total				**90**
1 January 2013	**34**	**43**	**13**	**90**
Business combinations	–	–	1	1
Additions	34	49	1	84
Utilisations	–35	–44	–6	–85
Releases	–1	–	–3	–4
Exchange differences	–1	1	0	0
31 December 2013	**31**	**49**	**6**	**86**
Analysis of total provisions				
Non-current				7
Current				79
Total				**86**

The reorganisation provision at 31 December 2013 is mainly related to restructuring expenses in Cloetta Italia S.r.l. (formerly known as LEAF Italia S.r.l.), restructuring of the supply chain and merger-related activities.

A provision for an amount of SEK 49m (43) has been established relating to returns of seasonal products in Italy. The total provision for sales returns as of 31 December 2013 is expected to be utilised during the first half of 2014.

See Note 21 for details about pension benefits and other long-term employee benefits.

NOTE 23 Borrowings

SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	31 Dec 2013 Total remaining term > 1 years
Loans from credit institutions	212	2,108	–	2,108
Senior secured notes	–	988	–	988
Total	**212**	**3,096**	**–**	**3,096**

SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	31 Dec 2012 Total Remaining term > 1 years
Loans from credit institutions	747	2,516	–	2,516
Finance lease liabilities	0	–	–	0
Total	**747**	**2,516**	**–**	**2,516**

Liabilities to be repaid within 12 months at the end of the financial year, as set out above, are included under current liabilities. See Note 33 for further details on liabilities to related parties.

THE FOLLOWING TABLE SHOWS THE GROUP'S CONTRACTUALLY AGREED CASH FLOWS PAYABLE UNDER FINANCIAL LIABILITIES.

SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	31 Dec 2013 Total remaining term > 1 years
Loans from credit institutions	283	298	1,993	–
Senior secured notes	40	40	1,109	–
Total	**323**	**338**	**3,102**	**–**

SEKm	Remaining term < 1 year	Remaining term 1–5 years	Remaining term > 5 years	31 Dec 2012 Total Remaining term > 1 years
Loans from credit institutions	865	444	2,355	–
Finance lease liabilities	0	–	–	–
Total	**865**	**444**	**2,355**	**–**

Balances due within 12 months are equal to their carrying amounts, as the impact of discounting is not significant.

THE CARRYING AMOUNTS AND FAIR VALUE OF NON-CURRENT BORROWINGS ARE AS FOLLOWS:

	Fair value		Carrying amount	
SEKm	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Borrowings from credit institutions	2,108	2,516	2,108	2,516
Senior secured notes	988	–	988	–
Finance lease liabilities	–	0	0	0
Total	**3,096**	**2,516**	**3,096**	**2,516**

The fair value of current borrowings is equal to their carrying amount, as the impact of discounting is not significant, and the credit risk has not changed since the loan agreement was signed.

The Group's borrowings are all exposed to interest rate changes and repricing dates within six months after balance sheet date.

Amounts owed to lease institutions

The Group only leased one AS400 server in Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) and had substantially all the risks and rewards incidental to ownership of the asset. The lease contract expired in 2013.

Loans from credit institutions

In January 2005, Svenska Handelsbanken AB issued a credit facility of SEK 6,325m with a term of nine years and 325 days. In February 2007 and March 2007, Svenska Handelsbanken AB issued additional credit facilities of respectively SEK 93m million and SEK 47m with the same maturity date as the original credit facility. As part of the merger, the loans from Svenska Handelsbanken AB have been repaid and consequently renegotiated with new terms at the Cloetta AB (publ) level.

At 15 December 2011, Cloetta AB (publ) entered into a credit facility agreement with Svenska Handelsbanken AB. The agreement is effective as of 16 April 2012 for the Term A Facility and as of 23 May 2012 for the Term B facility.

On 30 August 2013 Cloetta AB (publ) renegotiated the terms of the credit facility with Svenska Handelsbanken AB.

THE GROUP CREDIT FACILITY ON THE REPORTING DATE RELATES TO:

	Outstanding amount		Interest percentage	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Term A loan of nominal SEK 750m	–	581	3 months STIBOR + fixed mark up	3 months STIBOR + fixed mark up
Term B loan of nominal SEK 363m	363	363	3 months STIBOR + fixed mark up	3 months STIBOR + fixed mark up
Term B loan of nominal EUR 253m (approx. SEK 2,242m)	1,916	1,987	3 months EURIBOR + fixed mark up	3 months EURIBOR + fixed mark up
Senior secured notes of nominal SEK 1,000m	1,000	–	3 months STIBOR + 3.10%	N/A
Revolving facility of max. SEK 740m	740	740	1 week EURIBOR + fixed mark up	1 week EURIBOR + fixed mark up
Unused amount, SEKm	616	294		
Used amount, SEKm	**124**	**446**		

Under the revolving facility, 40 per cent of the applicable margin is paid annually as a commitment fee.

Currency

All loans are denominated in euros, except for part of Term B facility for an amount of SEK 363m (363) and the senior secured notes, issued in 2013, for an amount of SEK 1,000m.

Effective interest rates

The effective interest rates at the balance sheet date for the loans from credit institutions and the senior secured notes was 3.75% (4.20).

The following securities have been pledged to Svenska Handelsbanken AB:

- Shares in all group companies except for Cloetta GGS Holding Ltd., FTF Sweets Ltd., FTF Sweets USA Inc., Cloetta USA Inc., Cloetta Development AB and Albisol Education & Conference Ltd. (SEK 4,169m);
- Floating charges and other pledges on movable assets in Cloetta Holland B.V. (formerly known as Leaf Holland B.V.), Cloetta Produktion Sverige AB, Leaf Slovakia s.r.o., Cloetta Sverige AB, Cloetta Norge AS, Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.), Saila S.p.A. and Cloetta Suomi Oy (formerly known as Leaf Suomi Oy) (SEK 3,599);
- Pledge on real estate property in Cloetta Produktion Sverige AB, Leaf Slovakia s.r.o., Cloetta Sverige AB, Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) and Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) (SEK 4,210m);
- Pledges on certain receivables in Cloetta Holland B.V. (formerly known as Leaf Holland B.V.), Cloetta Norge AS and Leaf Slovakia s.r.o. (without nominal amount);
- Trademark pledges in Cloetta AB (publ), Cloetta Holland B.V. (formerly known as Leaf Holland B.V.), Cloetta Suomi Oy (formerly known as Leaf Suomi Oy), Cloetta Sverige AB, Leaf Sweden IP AB, Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) and Saila S.p.A (SEK 3,312m);
- Pledges on inter-company loans between Cloetta AB (publ) and Cloetta Holland B.V. (formerly known as Leaf Holland B.V.), between Cloetta Suomi Oy (formerly known as Leaf Suomi Oy) and Leaf Slovakia s.r.o. and between Cloetta Sverige AB and Leaf Sweden IP AB (SEK 1,291m);
- Pledges on contractual rights in Cloetta AB (publ) (without nominal amount);
- Contractual pledge agreement relating to a share purchase agreement in Cloetta AB (publ) (without nominal amount).

All above-mentioned securities are also pledged toward the holders of the senior secured notes, except for the pledge over real estate property in Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) (SEK 1,418m) and the floating charges in Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) and Saila S.p.A. (without nominal amount).

Senior secured notes

On 6 September, 2013 Cloetta AB (publ) announced the placement of senior secured notes amounting to SEK 1,000m with final maturity in September 2018. The senior secured notes bear interest at a floating rate of three-month STIBOR plus 3.10 per cent. In accordance with the terms and conditions of the senior secured notes, the senior secured notes have been issued, listed and admitted to trading on the corporate bond market of NASDAQ OMX Stockholm as of 17 September 2013. The net proceeds of the issuance of senior secured notes have been used to repay the existing Term A facility in full and part of the revolving facility.

Shareholder loan

As part of the merger on 16 February 2012, the payable and receivable balances with Yllop Finance Holding S.A. have been settled against the shareholder loan, directly after which the remaining outstanding shareholder loan of SEK 3,441m (corresponding to EUR 391.9m) was converted into equity.

Convertible debenture loan

Cloetta's former SEK 30m convertible debenture loan for the employees ran from 14 May 2009 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. At 16 February 2012 the conversion had resulted in a total increase in the share capital by SEK 2m and the share premium reserve by SEK 9m.

NOTE 24 Other non-current liabilities

SEKm	31 Dec 2013	31 Dec 2012
Contingent earn-out consideration	2	–
Total	**2**	**–**

The contingent earn-out payment related to the acquisition of FTF Sweets Ltd. consists of contingent consideration for the estimated payments. This consideration is dependent on certain conditions (e.g. profit before indirect costs and the probability of different scenarios) being met.

The fair value of the contingent earn-out payment has been estimated using the income approach. The estimated contingent earn-out payment has been based on the forecast model at the acquisition date and discounted using the cost of equity. The total amount of contingent earn-out payment recognised at 31 December 2013 amounts to SEK 2m. There is no maximum defined on the future total earn-out payment. The contingent earn-out consideration is categorised at level 3 of the fair value hierarchy. See Note 31 for a total overview of the Group's assets and liabilities that are measured at fair value.

MOVEMENTS IN THE EARN-OUT CONSIDERATION ARE AS FOLLOWS:

SEKm	2013	2012
Balance at 1 January	–	–
Business combinations	11	–
Remeasurements recognised in profit and loss	–9	–
Total	**2**	**–**

The results recognised in the profit and loss account have been included in general and administrative expenses and other financial expenses and are the result of changes in forecasted profit before indirect costs and changes in the probability of scenarios.

NOTE 25 Derivative financial instruments

SEKm	31 Dec 2013 Assets	31 Dec 2013 Liabilities	31 Dec 2012 Assets	31 Dec 2012 Liabilities
Forward contract to repurchase own shares	–	19	–	–
Interest rate swaps	–	4	–	24
Total	**–**	**23**	**–**	**24**
Less non-current portion				
Forward contract to repurchase own shares	–	19	–	–
Interest rate swaps	–	2	–	3
Current portion	**–**	**2**	**–**	**21**

Forward contract to repurchase own shares

Following the introduction of the share-based long-term incentive plan, Cloetta AB (publ) entered into a forward contract to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of the 2013 share-based long-term incentive plan. The forward contract to repurchase own shares is measured at cost.

See Note 21 for more details about the share-based long-term incentive plan.

Interest rate swaps

The Group entered into several interest rate swap contracts to partially cover the interest rate risk on the loans denominated in both SEK and EUR.

THE FOLLOWING TABLE SHOWS THE COMBINED NOTIONAL PRINCIPAL AMOUNTS OF THE OUTSTANDING INTEREST RATE SWAPS:

SEKm	Notional principal amounts 31 Dec 2013	Notional principal amounts 31 Dec 2012	Fixed currency interest rates 31 Dec 2013	Fixed currency interest rates 31 Dec 2012	Remaining period 31 Dec 2013	Remaining period 31 Dec 2012
STIBOR interest rate swaps	70–340	70-340	1,300%	1.300–2.305%	2014–2015	2013–2015
EURIBOR interest rate swaps	170–190	170–206	0,465%	0.465–1.480%	2014–2015	2013–2015

NOTE 26 Trade and other current liabilities

SEKm	31 Dec 2013	31 Dec 2012
Trade payables	388	657
Other taxes and social security expenses	106	107
Pension liabilities	1	5
Other liabilities	31	44
Accruals and deferred income	441	451
Total	**967**	**1,264**

NOTE 27 Accrued expenses and deferred income

SEKm	31 Dec 2013	31 Dec 2012[1]
Accrued personnel-related expenses	180	169
Accrued bonuses and discounts	118	129
Other accrued expenses and deferred income	143	153
Total	**441**	**451**

1) The comparative figures have been restated.

NOTE 28 Non-cash items

SEKm	31 Dec 2013	31 Dec 2012
Amortisation/depreciation and impairment of assets	184	235
Provisions for pensions	–18	5
Other provisions	–14	–13
Other non-cash items	–	33
Total	**152**	**260**

NOTE 29 Business combinations

Acquisition of Cloetta AB (publ)

On 16 February 2012 Cloetta AB (publ) acquired 100 per cent of the shares and 100 per cent of the voting rights in Leaf Holland B.V. (currently known as Cloetta Holland B.V.), the parent company of the LEAF group, incorporated in the Netherlands, from Leaf Holding S.A. (currently known as Yllop Holding S.A.).

The business combination is expected to result in:

- > A Nordic leader in the confectionery industry;
- > A full range of complementary products that will enhance the company's attractiveness among both customers and suppliers through Cloetta's strength in chocolate and LEAF's strength in sugar confectionery and refreshments (pastilles and chewing gum);
- > Potential for significant annual cost and efficiency synergies in excess of SEK 65m to be achieved within two years after closing the transaction.

In addition to the estimated cost synergies, Cloetta has closed its factory in Slagelse, Denmark, and moved this production to Levice, Slovakia. The transfer was finalised in January 2012 and is estimated to result in additional cost savings of SEK 45m annually. The aggregated annual cost savings potential from the cost synergies and Cloetta's ongoing restructuring amounts to SEK 110m.

Cloetta's acquisition of Leaf Holland B.V. has been accounted for as a reverse acquisition, meaning that Leaf Holland B.V. is considered to be the acquirer for group accounting purposes.

The formal acquisition of Leaf Holland B.V. by Cloetta AB (publ) was carried out partly through a cash payment of SEK 100m and partly through an interest bearing vendor loan note of SEK 1,400m, as well as an issue in kind of 165,186,924 Cloetta class C shares with a fair market value of SEK 2,556m, i.e. the total fair value of the total consideration transferred amounted to SEK 4,056m. The fair market value of the Cloetta class C shares has been determined based on the Cloetta share's bid price (SEK 34.20) at the time of the acquisition. Immediately following the issue in kind of C shares, Yllop Holding S.A. held approximately 87.2 per cent of the voting rights and approximately 78.4 per cent of the share capital in Cloetta AB.

Cloetta's acquisition-date fair value of SEK 833m is deemed to comprise the consideration transferred. This fair value has been calculated based on 24,355,641 shares outstanding multiplied by the bid price of SEK 34.20 at the time of the acquisition. In addition, the seller, Yllop Holding S.A., has agreed to indemnify Cloetta for tax related claims that might be brought against Cloetta in respect to the proceedings in Italy for the years 2005, 2006 and 2007. This indemnity is limited to an amount of SEK 81m. An indemnification asset has been recognised directly against equity. For further information, see page 87 of the rights issue prospectus dated 12 March 2012 at www.cloetta.com.

The Group's purchase price allocation for Cloetta as the acquiree for accounting purposes was finalised in 2012.

The table below shows the recognition and measurement of assets acquired and liabilities assumed related to the accounting acquiree, the former Cloetta. The remeasurements have had no impact on the consolidated profit and loss account.

SEKm	
Non-current assets	**777**
Intangible assets	365
Property, plant and equipment	397
Financial assets	15
Current assets	**539**
Inventories	121
Current receivables	149
Cash and cash equivalents	269
Non-current liabilities	**–318**
Deferred tax liabilities	–170
Provisions for pensions	–125
Convertible loan	–23
Current liabilities	**–214**
Other current liabilities	–214
Net identifiable assets and liabilities assumed	**784**
Goodwill	49
Consideration transferred	**833**
Cash paid for business combination	–1,500
Effect on equity of the business combination	**–667**

SEKm	
Cash paid for business combination	–1,500
Cash in business combination	269
Acquisition of subsidiaries	**–1,231**

Goodwill is mainly attributable to the synergies expected from combining Cloetta and LEAF. The goodwill of SEK 49m is not expected to be deductible for tax purposes. The most important remeasurements are related to brand names that have been recognised at their fair market value amounting to SEK 348m (SEK 50m in former Cloetta) and provisions for pension excluding special payroll taxes amounting to SEK 125m (81) valued in accordance with IAS 19, Employee Benefits.

Transaction costs of SEK 49m incurred by Yllop Finance AB (formerly named Leaf Finance AB) have been funded through internal loans from LEAF, and have thereby implicitly reduced equity in LEAF through the capital contribution made by Yllop Finance AB to LEAF prior to the acquisition. Acquisition-related costs of SEK 31m incurred by the accounting acquiree, Cloetta AB, were expensed prior to the acquisition and have consequently affected goodwill since expenses incurred prior to the acquisition have reduced net identifiable assets and liabilities assumed.

Acquisition of FTF Sweets Ltd.

On 8 may 2013 Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) incorporated Cloetta GGS Holding Ltd.. On 21 May 2013 Cloetta GGS Holding Ltd. and the shareholders of FTF Sweets Ltd. entered into a purchase agreement for the acquisition of 100 per cent of the shares of FTF Sweets Ltd. by Cloetta GGS Holding Ltd. FTF Sweets Ltd. is in a growth phase and has recently signed a nationwide distribution agreement with one of the leading convenience stores in the US. FTF Sweets Ltd. was launched in 2010 and has its core markets in the UK and US. The natural gummy candy range from FTF Sweets Ltd. is produced with a technology which eliminates the need for animal-based gelatine. It contains no artificial colours or flavours, uses only natural fruit and vegetable extracts and is also free from allergens.

The business combination is expected to result in:

> A stronger product offering in a new segment (i.e. natural candy) and therefore broadening of the product range in the growing segment for natural candy;

> Potential growth in FTF Sweets Ltd. with increased consumer demand; and

> A leading brand name in the natural candy segment.

The acquisition of FTF Sweets Ltd. by Cloetta GGS Holding Ltd. was carried out through a cash payment of SEK 10m for the acquisition of the shares, repayment of shareholder loans in FTF Sweets Ltd. of SEK 16m and contingent earn-out payment based on gross profit before indirect costs in the period 2013 up to and including 2015. The fair value of the contingent earn-out payment has been estimated using the income approach. The estimated contingent earn-out payment has been based on the forecast model at the acquisition date. The total amount of contingent earn-out consideration recognised at the acquisition date amounts to SEK 11m . There is no maximum defined on the future total earn-out payment. The contingent consideration is categorised at level 3 of the fair value hierarchy. For further information see Note 31.

Recognition and measurement of assets acquired and liabilities assumed related to the accounting acquiree, Cloetta GGS Holding Ltd.

The following table summarises the consideration paid for FTF Sweets Ltd., the fair value of assets acquired and liabilities assumed at the acquisition date.

CONSIDERATION AT 20 MAY 2013

SEKm	
Non-current assets	**17**
Intangible assets	17
Tangible assets	0
Current assets	**9**
Inventories	3
Current receivables	5
Cash and cash equivalents	1
Non-current liabilities	**4**
Deferred tax liabilities	4
Current liabilities	**2**
Other current liabilities	2
Net identifiable assets and liabilities assumed	**20**
Goodwill	17
Consideration transferred	**37**
Cash paid for business combination	–10
Earn-out consideration 2013-2015	–11
Repayment of shareholders loans	–16
Effect on equity of the business combination	**37**

Goodwill is mainly attributable to the synergies expected from the combination of Cloetta and FTF Sweets Ltd.. The goodwill is not expected to be deductible for tax purposes. The company identified two intangible assets: a brand name and a recipe/technology. The fair value of the acquired identifiable intangible assets totalled SEK 17m. The valuation of the brand name is based on the relief from royalty method, assuming that the fair value of the asset is based on the royalty income attributable to it. The royalty represents cost savings through ownership of the asset, as compared to licensing the asset from a third party. The fair value adjustments result in differences in the commercial versus tax basis. A deferred tax liability has therefore been recognised for these fair value adjustments.

Acquisition-related costs of SEK 0.2m have been charged to general and administrative expenses in the consolidated profit and loss account. For the period from the acquisition date, FTF Sweets Ltd. contributed net sales of SEK 2m and a loss of SEK 1m. If the acquisition had taken place on 1 January 2013, management estimates that consolidated net sales would have been SEK 5m and the consolidated loss would have been SEK 2m excluding transaction costs of SEK 4m.

NOTE 30 Financial risks and financial risk management

Through its activities, the Group is exposed it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risks are managed by a central treasury department (group treasury) under policies approved by the Board of Directors. The group treasury department identifies, evaluates and, if applicable, hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. See pages 76–79 of the annual report for a complete overview of risks and risk management. The primary market and financial risks are described in detail below.

Market risk

Currency risk

The Group is primarily active in the European Union and Norway. The Group's currency risk mainly relates to positions and future transactions in euros (EUR), Danish kroner (DKK), Norwegian kroner (NOK), US dollars (USD) and British pounds (GBP).

The Group has major investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the euro-related currency risk by drawing part of the credit facility in euros. This hedge covers part of the currency risk in euros. At 19 July 2013 and at 17 September 2013, hedge accounting (hedges of net investments in foreign operations) is applied. This resulted in a reduction in the volatility of net financial items caused by revaluation of monetary assets and liabilities as of those dates. The Group's investment in trademarks in Cloetta Suomi Oy (formerly known as Leaf Suomi Oy) and Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) are hedged by a net euro-denominated loan (carrying amount: EUR 91m) which mitigates the foreign currency translation risk on these trademarks. The fair value of the loan was EUR 91m. The loan is designated as a net investment hedge. The effectiveness of the hedge is tested and documented on a monthly basis. No ineffectiveness was recognised from the net investment hedge.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

In the financial year 2013, if the Swedish krona had weakened/strengthened by 10 per cent against the euro with all other variables held constant, profit before tax for the year would have been SEK 88m higher/lower, as a result of the foreign exchange gains/losses on translation of all euro-denominated trading in Europe and foreign exchange losses/gains on translation of euro-denominated borrowings.

The currency risk attached to the transactions in the other currencies is not significant as the amounts involved are not significant for the total Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities (including loans to credit institutions).

The Group is exposed to the consequences of variable interest rates on liabilities. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the Group.

If the interest rate had been 1 percentage point higher/lower with all other variables held constant, profit before tax for the year would have been SEK 34m lower/higher. The analysis considers the effects of interest rate swaps.

Commodity price risk

The Group is mainly exposed to commodity price risk on its purchases of gelatine, gum arabic, cocoa, sugar, syrups and starches.

At 31 December 2013, if the average raw material prices had been 10 per cent higher/lower with all other variables held constant, profit before tax for the year would have been SEK 106m lower/higher.

As a rule, the central purchasing unit prepurchases the most important raw materials so that they are accessible for a period equal to 6–9 months of production. This also creates predictability in prices and financial outcomes, and cost increases affect Cloetta's purchasing prices at a certain delay. In addition, this makes it possible to avoid temporary price hikes in the commodities market.

Law and taxes

Cloetta conducts operations through companies in a number of countries. New laws, taxes or rules in various markets may lead to limitations in operations or place new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different countries is not entirely correct or that such rules will be changed, possibly with retroactive effect.

Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectionery taxes and fat taxes often has a short-term impact on sales.

Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and the information that is available.

Credit risk

The Group does not have any significant concentrations of credit risk. The Group's customers are subject to a credit policy. Sales are subject to payment conditions which vary per customer. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within "selling and marketing costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Credit terms for customers are determined individually in the different markets. Concentrations of credit risk with respect to trade receivables are limited, due to the size and diversity of the Group's customer base. The Group's historical experience of collecting receivables is that credit risk is low across all markets.

The Group uses several banks (range of most used banks varies between AA- and A-2 rating) and has an overdraft facility available.

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		Cash balances		Overdraft facility		Other loans	
SEKm	Rating (S&P)	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Svenska Handelsbanken	AA–	32	109	–73	–406	–2,279	–2,931
Royal Bank of Scotland	A–2	13	44	–	–	–	–
Intesa	A–2	62	29	–	–	–	–
Nordea	A–1+	9	23	–	–	–	–
Other banks		51	101	–	–	–	–
Total		**167**	**306**	**–73**	**–406**	**–2,279**	**–2,931**

Liquidity risk
Cash flow forecasting is performed in the operating entities of the Group and is aggregated by the group treasury department. The group treasury department monitors the 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 23) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions. The net proceeds of the issuance of senior secured notes in 2013 have been used in part to repay the overdraft facility, significantly increasing the headroom on the undrawn committed borrowings facilities.

In 2013 a Notional Group Account (NGA) was set up. This NGA includes both the Parent Company and several operating entities. Surplus cash held by operating entities included in the NGA is available to the group treasury department and is used for the Group's internal and external financing activities. Surplus cash held by operating entities not included in the NGA is transferred to the group treasury department and is also used for the Group's internal and external financing activities.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows.

31 Dec 2013 SEKm	Term < 1 year	Term 1–2 years	Term 2–5 years	Term >5 years
Loans from credit institutions	283	298	1,993	–
Senior secured notes	40	40	1,109	–
Trade and other payables	861	–	–	–
Financial guarantee contracts	38	8	1	4
Total	**1,222**	**346**	**3,103**	**4**

31 Dec 2012 SEKm	Term < 1 year	Term 1–2 years	Term 2–5 years	Term >5 years
Loans from credit institutions	865	444	2,355	–
Finance lease liabilities	0	–	–	–
Trade and other payables	1,158	–	–	–
Financial guarantee contracts	14	13	–	3
Total	**2,037**	**457**	**2,355**	**3**

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management's priority in monitoring capital is to maintain compliance with the debt covenants in the credit agreement with Svenska Handelsbanken. Cloetta actively monitors these and other ratios on a monthly basis. The debt covenants are an interest covenant, an EBITA/net debt covenant and an equity/total assets covenant. Throughout 2012 and 2013, the Group was in compliance with the covenant requirements of Svenska Handelsbanken.

NOTE 31 Fair value measurement

Share-based payments
Before the merger with Cloetta AB (publ), the former LEAF group operated a share-based payment scheme for key employees of the LEAF group. In accordance with IFRS 2, this scheme was treated as an equity-settled share-based payment. This means that LEAF determined the fair value of the shares at the grant date, being the amount for which the depositary receipts could be exchanged between knowledgeable, willing parties in an arm's length transaction and recognised immediately, if applicable, an expense for the services received with a corresponding increase in equity. As part of the merger, the share-based payment scheme at the level of Yllop Holding S.A. was fully settled in 2012.

See Note 21 for more information.

Share-based long-term incentive plan
The 2013 Annual General Meeting approved the Board's proposal relating to the introduction of a share-based long-term incentive plan.

Under the share-based long-term incentive plan, the entity receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period).

See Note 21 for more information.

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Financial assets and liabilities

The only items recognised at fair value after initial recognition are the interest rate swaps categorised at level 2 of the fair value hierarchy in all periods presented and the contingent earn-out consideration related to the acquisition of FTF Sweets Ltd. categorised at level 3, as well as assets held for sale, in cases where the fair value less cost to sell is below the carrying amount. The fair values of the financial assets (loans and receivables) and liabilities measured at amortised cost are approximately equal to their carrying amounts. The fair value of financial assets and liabilities for measurement purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value derived is used as the carrying amount.

IFRS 13 requires disclosure of fair value measurements by level according to the following fair value measurement hierarchy:

> Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
> Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
> Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

THE FOLLOWING TABLE PRESENTS THE GROUP'S ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE.

31 Dec 2013 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
• Non-current assets measured at fair value	–	–	15	15
Total assets	**–**	**–**	**15**	**15**
Liabilities				
Liabilities at fair value through profit or loss				
• Contingent earn-out consideration	–	–	2	2
• Interest rate swaps	–	4	–	4
Total liabilities	**–**	**4**	**2**	**6**

31 Dec 2012 SEKm	Level 1	Level 2	Level 3	Total
Assets				
Assets at fair value through profit or loss				
• Fixed assets measured at fair value	–	–	35	35
Total assets	**–**	**–**	**35**	**35**
Liabilities				
Liabilities at fair value through profit or loss				
• Interest rate swaps	–	24	–	24
Total liabilities	**–**	**24**	**–**	**24**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2. The valuation of the instruments is based on quoted market prices but the underlying swap amounts are based on the specific requirements of the Group. These instruments are therefore included in level 2. The fair value measurement of the contingent earn-out liability requires use of significant unobservable inputs and is thereby categorised at level 3.

The valuation techniques and inputs used to value financial instruments are:

> Quoted market prices or dealer quotes for similar instruments;
> The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
> The fair value of the asset held for sale is based on valuations by external independent valuators;
> Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fixed asset measured at fair value is identified as a non-recurring fair value measurement and is related to the asset held for sale. The asset is valued at fair value less cost to sell because the fair value less costs to sell is below the carrying amount. See Note 18 for the movements in the assets held for sale.

The contingent earn-out liability is measured at fair value using a scenario model with an earn-out threshold, different results and related changes and an applicable multiplier as input. These data are aligned with the earn-out contract.

See Note 24 for the effect of the measurements regarding the contingent earn-out liability in the profit and loss account or other comprehensive income and for the movements in the contingent earn-out liability.

NOTE 32 Pledged assets and contingent liabilities

SEKm	31 Dec 2013	31 Dec 2012
Contingent liabilities		
Rental guarantees	3	2
Customs and export guarantees	17	16
Bank guarantees	31	12
Other guarantees	0	0
Total contingent liabilities	**51**	**30**

See Note 23 for assets pledged to Svenska Handelsbanken and the holders of senior secured notes.

NOTE 33 Related party transactions

All group companies mentioned in Note P13 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

In the context of this financial report, and aside from the subsidiaries of Cloetta AB (publ), the companies regarded as related parties are AB Malfors Promotor, Cidron Pord S.á.r.l. (from 16 February 2012 until 27 November 2013) and Godis Holdings S.á.r.l. (from 16 February 2012 until 27 November 2013). Yllop Holding S.A. and Yllop Finance holding AB were considered to be related parties until the second quarter of 2012.

The transactions carried out with related parties and the year-end balances are as follows:

Sales and/or purchase of services

In 2013 Cloetta AB (publ) sold a property to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, for a value of SEK 6m, generating a profit of SEK 3m. The property was sold at market value.

Transactions with Group Management and key employees

For information about salaries and remuneration to the Board of Directors and Group Management, see Note 6. The Group has no receivables from Group Management and key employees. In 2013 the share-based long-term incentive plan as approved by the Annual General Meeting was introduced. Total costs related to the share-based long-term incentive plan that were recognised in 2013 amount to SEK 4m, of which SEK 0.9m is related to Group Management. Other liabilities to Group Management and key employees consist of customary personnel-related liabilities.

See Note 6 for remuneration to Group Management and key employees.

YEAR-END BALANCES ARISING FROM RELATED PARTIES TRANSACTIONS

SEKm	31 Dec 2013	31 Dec 2012
Receivables/(payables) from related parties		
Yllop Holding S.A.	–	79
Yllop Finance Holding AB	–	9
Total	**–**	**88**

The nature of the transactions resulting in the balances above mainly relate to the settlement of payables and receivables to/from Yllop Holding S.A. and Yllop Finance Holding AB.

LOANS FROM RELATED PARTIES

SEKm	2013	2012
Yllop Finance Holding AB		
1 January	**–**	**3,363**
Interest expense	–	46
Settled with current account payable	–	80
Converted into equity	–	–3,441
Exchange difference	–	–48
31 December	**–**	**–**

As part of the merger on 16 February 2012, the payable and receivable balances with Yllop Finance Holding S.A. have been settled against the shareholder loan, directly after which the remaining outstanding shareholder loan of SEK 3,441m (corresponding with EUR 391.9m) was converted into equity.

NOTE 34 Operating leases

RECOGNISED EXPENSES FOR OPERATING LEASES AMOUNT TO:

SEKm	2013	2012
Lease charges	78	50
Future annual payment obligations for leased assets in the Group are broken down as follows:		
Within one year	51	40
Between one and five years	49	47
More than 5 years	0	0
Total	**100**	**87**

The operating lease commitments mainly consist of the lease of buildings and warehouses with an average contract term of one year and of car lease contracts with an average contract term of four years.

NOTE 35 Critical accounting estimates and judgements

In preparing the financial statements, management makes estimates and judgements 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 judgements in applying the Group's accounting policies are discussed below. The accounting estimates and judgements are believed to be reasonable under the circumstances.

The company's management and audit committee have discussed the development, selection and disclosures regarding the Group's critical accounting principles and estimates. The estimates and judgments made in the application of the Group's accounting policies are described below.

Impairment analysis of intangible fixed assets

For the purpose of the impairment testing, assets are allocated to cash-generating units when it is not possible to assess impairment on an individual asset basis. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is to be impaired. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business. The carrying amount of the intangible fixed assets at the end of reporting period was SEK 5,252m.

Accounting for income taxes

As part of the process of preparing financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In Italy, the tax authority has carried out an audit regarding Cloetta's Italian subsidiary with respect to the financial years 2005–2007. The audit concerns the financing and interest expenses as well as expenses for consultants in relation to acquisitions in Italy that, in the Italian tax authority's view, should have been re-invoiced to the Parent Company. Furthermore, the tax authority has decided on additional withholding tax for which the tax authority claims that the company is liable. Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.) has contested the tax authority's decision. The dispute regarding the financial years 2005-2007 is currently pending in court. In the share transfer agreement, Yllop Holding S.A. has undertaken to indemnify Cloetta for tax-related claims that might be brought against Cloetta with respect to the proceedings in Italy. This indemnity is limited to an amount of EUR 9,200,000 (corresponding to SEK 82m) and refers to the financial years 2005–2007.

Temporary differences between tax and financial reporting result in deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent, it is probable that all or some portion of the deferred tax asset will not be realised.

Provisions

By their nature, provisions are dependent on estimates and assessments as to whether the criteria for recognition have been met, including estimates as to the outcome and the amount of the potential cost of resolution. Provisions are recognised as a charge against the profit and loss account when it is probable that a liability has been incurred and the amount of such liability can be reasonably estimated.

Provisions for litigation, tax disputes, etc. for a total amount of SEK 184m, are based on an estimate of the costs, taking into account legal advice and the information currently available. In addition, provisions for termination benefits and exit costs involve management's judgment in estimating the expected cash outflows for severance payments and site closure or other exit costs. Should the actual outcome differ from the assumptions and estimates, revisions to the estimated provisions would be required, which could impact the Group's financial position and results from operations.

Accounting for pensions and other post-employment benefits

Pension benefits represent obligations that will be settled in the future and require assumptions to project the benefit obligations and fair values of plan assets. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's expected service period, based on the terms of the plans and the investment and funding decisions made by the Group. For calculation of the present value of the pension obligation and the net cost, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries). In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. For details about the key assumptions and policies, see Note 21. The carrying amount at the end of reporting period was SEK 360m.

It should be noted that when discount rates decline or rates of future salary increase, the pension benefit obligations will increase.

Capitalisation of development costs

Costs incurred on development projects are recognised as intangible assets when it is probable that a project will be successful in view of its commercial and technological feasibility. Management's judgement is required in determining when the Group should start capitalising development costs. In general, the management has determined that commercial and technological feasibility, in general, is probable when the Group decides to pre-launch a product and the costs can be measured reliably. However, since the development costs incurred by the Group after the pre-launch of a product are considered insignificant, the Group expenses all development costs in the period when the expenditure is incurred. Consequently, based on management's judgement, no development costs have been recognised as intangible assets in the consolidated financial statements.

Revenue recognition

In Italy, the customers of seasonal products have the right to return the goods if the goods are not sold to consumers. Based on past experience of similar sales, Cloetta Italia S.r.l. has recognised net sales on these transactions with a corresponding provision against net sales for estimated returns.

NOTE 36 Changes in accounting policies

New and amended standards adopted by the Group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have impact on the group:

- Amendment to IAS 1, Presentation of Financial Statements, regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments);
- Amendment to IFRS 7, 'Financial Instruments: Disclosures, regarding asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements with those that prepare financial statements in accordance with US GAAP;
- IFRS 13, Fair Value Measurement, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.
- Amendments to IAS 36, Impairment of Assets, relate to the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures on the recoverable amount of CGUs which had been included in IAS 36 through the issue of IFRS 13.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued on 19 November 2009, 16 December 2011 and 19 November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit and loss account, unless this creates an accounting mismatch. The Group has yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board;
- IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to payment of a levy and when a liability should be recognised. The Group is not currently subject to significant levies, so the impact on the Group is not material;

The following standards which have been endorsed by the European Union and are effective as of 1 January 2014 have not been adopted by the Group:

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- IFRS 10, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess;
- IFRS 11, Joint Arrangements, focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted;
- IFRS 12, Disclosures of Interests in Other Entities, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

There are no other IFRSs or IFRIC interpretations that are not yet effective that can be expected to have an impact on the Group.

NOTE 37 Events after the balance sheet date

Acquisition of Alrifai Nutisal AB

On 8 January 2014, Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) acquired control of Alrifai Nutisal AB (currently known as Cloetta Nutisal AB) by acquiring 100 per cent of the share capital. The primary reason for the acquisition is to broaden the Cloetta product portfolio as part of its 'Munchy Moments' strategy.

SEKm	
Consideration paid	
Cash paid	110
Contingent consideration	110
Consideration transferred	**220**
Recognised amounts of identifiable assets and liabilities assumed:	
Non-current assets	**219**
Intangible assets (excl.. goodwill)	147
Property, plant and equipment	24
Other non-current assets	48
Current assets	**82**
Inventories	49
Trade and other receivables	32
Cash and cash equivalents	1
Non-current liabilities	**–39**
Borrowings	–2
Other non-current liabilities	–32
Provisions	–5
Current liabilities	**–100**
Borrowings	–18
Other current liabilities	–82
Total identifiable net assets	**162**
Goodwill	58
Consideration transferred	**220**

The total consideration comprises SEK 110m of cash and a fair value of the contingent consideration of SEK 110m. The contingent consideration will amount to at least SEK 50m and to a maximum of SEK 300m and is based on the adjusted results of the financial year 2016. The contingent consideration is categorised at level 3 of the fair value hierarchy.

The goodwill of SEK 58m relates primarily to the potential of new distribution channels, the workforce and expected cost synergies.

The contingent liabilities recognised as part of the purchase price allocation amount to SEK 5m. The selling shareholders of Cloetta Nutisal AB have contractually agreed to indemnify the company for certain liabilities under the terms and conditions of the sales and purchase agreement for an amount of SEK 5m.

The total transaction costs related to the acquisition amounted to SEK 0.3m and are fully recognised in the profit and loss account of the period concerned as “General and administrative expenses”.

Due to the short-term nature of the receivables, the fair value approximates the gross contractual amounts. The contractual cash flows which are expected not to be collected are immaterial. Had Cloetta Nutisal AB been consolidated from 1 January 2013, it would have (pro forma) contributed SEK 187m to the consolidated net sales and (pro forma) SEK –22m to the profit for the year.

Because Cloetta Nutisal AB has been acquired early in January 2014 the accounting for the business combination is preliminary and has not yet been finalised.

The goodwill acquired is allocated to the Scandinavia CGU (cash-generating unit).

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PARENT COMPANY PROFIT AND LOSS ACCOUNT

SEKm	Note	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Net sales	P2	86	72
Cost of goods sold	P3, P4, P5, P6	–	0
Gross profit		**86**	**72**
Other income	P2	12	–2
General and administrative expenses	P3, P4, P5, P6	–124	–110
Operating profit		**–26**	**–40**
Other financial income	P7	92	94
Other financial expenses	P7	–63	–56
Net financial items		**29**	**38**
Profit before tax		3	–2
Appropriations	P8	–	4
Income tax expense	P9	–1	–2
Profit for the year		**2**	**0**

Profit for the year corresponds to comprehensive income for the year.

PARENT COMPANY

Cloetta AB's primary activities include head office functions such as group-wide management and administration. The comments below refer to the period from 1 January 2013 to 31 December 2013.

The comparative figures for the Parent Company are those for the legal acquirer, i.e. Cloetta AB (publ). For the Parent Company, these annual accounts cover the period from 1 January to 31 December 2013 in accordance with the Parent Company's financial year. The comparative figures for the Parent Company cover the period from 1 September 2011 to 31 December 2012 in accordance with the Parent Company's financial year. For this reason, the comparative figures are not entirely comparable.

INFORMATION ABOUT OPERATIONS

Net sales in the Parent Company reached SEK 86m (72) and referred mainly to intra-group services. Operating profit was SEK –26m (–40).

Net financial items totalled SEK 29m (38). Profit before tax was SEK 3m (–2) and profit after tax was SEK 2m (0). Cash and cash equivalents and short-term investments amounted to SEK 0m (12).

PARENT COMPANY BALANCE SHEET

SEKm	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets		0	0
Property, plant and equipment	P10	0	4
Deferred tax asset	P11	4	4
Shareholdings in group companies	P12, P13	4,625	4,625
Receivables from group companies	P22	528	0
Total non-current assets		**5,157**	**4,633**
Current assets			
Trade receivables		–	0
Receivables from group companies	P22	85	142
Current income tax assets	P11	2	1
Other receivables		1	1
Prepaid expenses and accrued income	P14	1	0
Cash and cash equivalents	P15	–	12
Total current assets		89	156
TOTAL ASSETS		**5,246**	**4,789**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,443	1,443
Share premium reserve		2,713	2,713
Retained earnings including profit for the year		65	60
Equity attributable to owners of the Parent Company	P16	**4,221**	**4,216**
Non-current liabilities			
Borrowings	P17	988	343
Provisions		1	0
Total non-current liabilities		**989**	**343**
Current liabilities			
Payables to group companies	P22	10	–
Borrowings	P17	–	214
Trade payables	P18	6	4
Other current liabilities	P18	3	1
Accrued expenses and deferred income	P18, P19	17	11
Current income tax liabilities	P11	0	–
Total current liabilities		**36**	**230**
TOTAL EQUITY AND LIABILITIES		**5,246**	**4,789**
Pledged assets	P21	4,623	4,623
Contingent liabilities[1]	P21	3,078	2,945

1 The company issued a parent company guarantee pursuant to Article 403, Book 2 of the Dutch Civil Code in respect of Cloetta Holland B.V. and Cloetta Finance Holland B.V.. 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 its financial effect is not practical to calculate.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Share premium reserve	Retained earnings	Total equity
Balance at 1 September 2011	122	410	60	592
Comprehensive income				
Profit for the year	–	–	–	–
Total comprehensive income for 2011/2012	–	–	–	–
Transactions with owners				
Rights Issue	494	563	–	1,057
Issue in kind of C shares, acquisition of Leaf Holland B.V.	826	1,730	–	2,556
Conversion	1	10	–	11
Total transactions with owners	**1,321**	**2,303**	**–**	**3,624**
Balance at 31 December 2012	**1,443**	**2,713**	**60**	**4,216**
Comprehensive income				
Profit for the year	–	–	2	2
Total comprehensive income for 2013	**–**	**–**	**2**	**2**
Transactions with owners				
Share-based long-term incentive plan	–	–	3	3
Total transactions with owners	**–**	**–**	**3**	**3**
Balance at 31 December 2013	**1,443**	**2,713**	**65**	**4,221**

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	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Operating result		–26	–40
Adjustments for non-cash items	P20	–9	–1
Interest received		0	6
Interest paid		–34	–47
Income tax paid		–3	–2
Cash flow from operating activities before changes in working capital		**–72**	**–84**
Cash flow from changes in working capital			
Change in operating receivables		138	30
Change in operating liabilities		20	6
Cash flow from operating activities		**86**	**–48**
Investing activities			
Acquisition of subsidiaries		–	–1,531
Acquisition/sale of short-term investments		–	4
Disposal of property, plant and equipment		14	–
Cash flow from investing activities		**14**	**–1,527**
Cash flow from operating and investing activities		**100**	**–1,575**
Financing activities			
Repayment of interest-bearing borrowings		–581	–182
Proceeds from borrowings (net of financing cost)		991	661
Loans granted		–522	–
New share issue		–	1,055
Cash flow from financing activities		**–112**	**1,534**
Cash flow for the year		**–12**	**–41**
Cash and cash equivalents at beginning of year		12	53
Cash flow for the year	P15	–12	–41
Cash and cash equivalents at end of year	P15	**–**	**12**
Cash, cash equivalents and short-term investments < 3 months	P15	–	12

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 2013 to 31 December 2013 in accordance with the Parent Company's financial year. The comparative figures for the Parent Company cover the period from 1 September 2011 to 31 December 2012. As a result, the amounts presented in the Parent Company financial statements are not entirely comparable.

CHANGED ACCOUNTING STANDARDS

Neither the revised IFRSs, new and revised IFRIC interpretations effective from 1 January 2013, the early adoption of RFR 2 (January 2013) nor IAS 19 (revised 2011) which has been adopted prior to its mandatory implementation date by the Group have entailed any practical change of accounting standards for the Parent Company.

DIFFERENCES BETWEEN THE ACCOUNTING POLICIES OF THE GROUP AND THE PARENT COMPANY

The differences between the accounting principles applied by the Group and the Parent Company are described below. The following accounting standards for the Parent Company have been applied consistently for all periods presented in the Parent Company financial statements.

Classification and presentation

The profit and loss account and balance sheet of the Parent Company are presented in accordance with the Swedish Annual Accounts Act. The differences compared to IAS 1, Presentation of Financial Statements, refer mainly to financial income and expenses, equity and the presentation of provisions as a separate item in the balance sheet.

Subsidiaries

In the Parent Company, shareholdings in subsidiaries are accounted for in accordance with the cost method of accounting. This means that transaction costs are included in the carrying amount of shareholdings in subsidiaries. In the consolidated financial statements, transaction costs are expensed as incurred. The value of a contingent consideration is measured based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/reduce the historical cost. In the consolidated financial statements, contingent consideration is measured at fair value with changes through profit or loss.

Group contributions

Group contributions received are recognised through the profit and loss account in the same manner as dividends received in accordance with RFR 2, IAS 18.3. Group contributions paid to subsidiaries are reported by the Parent Company as an investment in participations in group companies in accordance with RFR 2, IAS 27.1-2.

Income taxes

In the Parent Company balance sheet, untaxed reserves are recognised with no division between equity and deferred tax liabilities, in contrast to the Group. Correspondingly, no portion of appropriations is allocated to deferred tax expense in the Parent Company profit and loss account.

Employee benefits

The Parent Company has pension plans of two types:

- Defined contribution pension plans in which the Parent Company pays fixed premiums to different insurance companies;
- Defined benefit pension plans that refer primarily to the ITP plan for salaried employees. The company expenses the pension obligation, which is secured through credit insurance with and administered by Försäkringsbolaget PRI Pensionsgaranti, Mutual. Calculation of the defined benefit obligation differs from the assumptions used by the Group in accordance with IFRS mainly in the following ways:
  - The calculation does not take into account future salary increases;
  - The applied discount rate is established by the Swedish Financial Supervisory Authority.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Borrowing costs

In the Parent Company, borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised as part of the cost of an asset.

Financial guarantees

The Parent Company's financial guarantee contracts consist primarily of guarantees issued on behalf of subsidiaries. A financial guarantee contract means that the company has an obligation to reimburse the holder of a debt instrument for losses it incurs because a specified debtor fails to make payment when due. For reporting of financial guarantee contracts, the Parent Company applies a voluntary exemption that is permitted by the Swedish Financial Reporting Board compared to the rules in IAS 39. The voluntary exemption refers to financial guarantees issued on behalf subsidiaries. The Parent Company recognises financial guarantee contracts as provisions in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation.

NOTE P2 Breakdown of income

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Net sales		
Service contracts	86	72
Other income		
Other	12	–
Total income	**98**	**72**

THE BREAKDOWN OF NET SALES BY MARKET IS AS FOLLOWS:

%	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Sweden	36	47
Finland	10	12
The Netherlands	22	8
Italy	13	16
Other	19	17
Total net sales	**100**	**100**

NOTE P3 Amortisation of intangible assets, depreciation of property, plant and equipment and other changes in values

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Property, plant and equipment	0	0
Total amortisation/depreciation	**0**	**0**
Amortisation/depreciation has been allocated by function as follows:		
Administrative expenses	0	0
Total amortisation/depreciation	**0**	**0**

NOTE P4 Personnel expenses and number of employees

PERSONNEL EXPENSES ARE SPECIFIED AS FOLLOWS:

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Salaries and remuneration		
Group Management		
– Sweden	20	18
Of which, bonuses		
– Sweden	7	0
Other employees		
– Sweden	–	3
Total salaries and remuneration	**20**	**21**
Pension costs		
Group Management		
– Defined contribution plans	4	5
– Defined benefit plans	0	0
Other employees		
– Defined contribution plans	–	1
– Defined benefit plans	–	0
Total pension costs	**4**	**6**
Other social security expenses, all	8	7
Total pension costs and other social security expenses	**12**	**13**
Total personnel expenses	**32**	**34**

THE AVERAGE NUMBER OF EMPLOYEES IS AS FOLLOWS:

	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Average number of employees		
– Sweden	5	6
Of whom, women		
– Sweden	1	3

THE SPECIFICATION OF GENDER DISTRIBUTION IN COMPANY MANAGEMENT IS AS FOLLOWS:

%	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Percentage of women		
Board of Directors	20	11
Group management and key employees	20	20

NOTE P5 Remuneration to Board of Directors and Group Management

Remuneration and benefits in 2013 **SEK 000s**	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligations
Board Chairman							
Lennart Bylock	500	–	–	–	75	575	–
Board members							
Håkan Kirstein	250	–	–	–	–	250	–
Hans Eckerström	250	–	–	–	175	425	–
Adriaan Nühn	250	–	–	–	–	250	–
Robert-Jan van Ogtrop	250	–	–	–	50	300	–
Peter Törnquist	250	–	–	–	125	375	–
Olof Svenfelt	250	–	–	–	100	350	–
Mikael Svenfelt	250	–	–	–	75	325	–
Meg Tivéus	250	–	–	–	100	350	–
Lilian Fossum Biner[1]	188	–	–	–	–	188	–
President							
Bengt Baron	4,656	500[2]	131	1,373	–	6,660	1,955
Group Management	8,331	1,342[3]	443	2,458	–	12,574	1,243
Total	**15,675**	**1,842**	**574**	**3,831**	**700**	**22,622**	**3,198**
Of which, Parent Company	15,675	1,842	574	3,831	700	22,622	3,198

Remuneration and benefits in 1 Sep 2011 – 31 Dec 2012 **SEK 000s**	Basic salary, board fees	Variable remuneration	Other benefits	Pension costs	Other remuneration	Total	Pension obligations
Board Chairman							
Olof Svenfelt[4]	150	–	–	–	23	173	–
Lennart Bylock[5]	400	–	–	–	120	520	–
Board members							
Håkan Kirstein[5]	200	–	–	–	–	200	–
Hans Eckerström[5]	200	–	–	–	200	400	–
Adriaan Nühn[5]	200	–	–	–	–	200	–
Robert-Jan van Ogtrop[5]	200	–	–	–	40	240	–
Peter Törnquist	200	–	–	–	160	360	–
Olof Svenfelt[5]	200	–	–	–	80	280	–
Mikael Svenfelt	331	–	–	–	143	474	–
Lennart Bohlin[4]	131	–	–	–	15	146	–
Ulrika Stuart Hamilton[4]	131	–	–	–	15	146	–
Johan Hjertonsson[4]	131	–	–	–	–	131	–
Meg Tivéus	331	–	–	–	103	434	–
President							
Bengt Baron	4,119	–	80	1,277	–	5,476	744
Curt Petri[4]	3,474	–	68	2,116	–	5,658	10,683
Group Management[6]	9,985	–	323	1,808	–	12,116	569
Total	**20,383**	**–**	**471**	**5,201**	**899**	**26,954**	**11,996**
Of which, Parent Company	20,383	–	471	5,201	899	26,954	11,996

1 Included as of 11 April 2013.
2 The amount includes an accrued variable remuneration for activities performed in 2013, which is expected to be paid out in 2014 of SEK 1,920,000.
3 The amount includes an accrued variable remuneration for activities performed in 2013, which is expected to be paid out in 2014 of SEK 3,152,000.
4 Included until the date of the merger on 16 February 2012. On this date, Olof Svenfelt resigned as Chairman, Lennart Bohlin, Ulrika Stuart Hamilton, Johan Hjertonsson resigned as Board members and Managing Director Curt Petri was succeeded by President Bengt Baron.
5 Included as of the date of the merger on 16 February 2012 when the new Board was elected.
6 Until February 2012, the number of other senior executives was ten, as of 16 February 2012 it was nine and as of 1 May 2012 it was ten.

NOTE P6 Audit fees

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Fees for auditing services		
KPMG	2	2
Total auditing services	**2**	**2**
Fees for other services		
KPMG		
– Tax advice	0	7
– Audit-related advice	0	2
– Other	1	7
PwC		
– Other	–	1
Total other services	**1**	**17**
Total audit fees	**3**	**19**

Auditing services refer to the auditing of the annual financial statements, the accounts and the company's administration by the Board of Directors and the President and advice or other assistance prompted by observations from such audits or the performance of other such tasks.

NOTE P7 Net financial items

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Group contributions	82	88
Interest income, group companies	10	4
Interest income on bank balances	0	2
Other financial income	**92**	**94**
Interest expense and similar profit/loss items	–30	–6
Interest expenses, group companies	–1	–3
Net foreign exchange losses	–1	0
Interest expenses on defined benefit pension obligations	0	0
Interest expenses on financial liabilities measured at amortised cost	–31	–41
Other interest expenses	0	–6
Other financial expenses	**–63**	**–56**
Net financial items	**29**	**38**

NOTE P8 Appropriations

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Change in tax allocation reserve	–	4
Difference between planned depreciation and book depreciation	–	0
Total	**–**	**4**

NOTE P9 Income taxes

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Current income tax	–	0
Deferred income tax	–1	–2
Total	**–1**	**–2**
The year's income tax expense corresponds to an effective tax rate of, %	27.9	72.3

THE DIFFERENCE BETWEEN THE EFFECTIVE TAX RATE AND THE STATUTORY TAX RATE IN SWEDEN IS ATTRIBUTABLE TO THE FOLLOWING ITEMS:

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Taxable profit from ordinary activities	3	2
Tax calculated at applicable tax rate for the Parent Company	0	0
Expenses not deductible for tax purposes	1	1
Other	0	1
Tax (benefit)/expense	**1**	**2**
Reported effective tax rate, %	27.9	72.3
Tax rate in Sweden, %	22.0	26.3

NOTE P10 Property, plant and equipment

Historical cost SEKm	Land and buildings	Machinery and equipment	Total
1 September 2011			
Acquisition or production costs	4	0	4
Accumulated depreciation and impairments	–	0	0
Carrying amount at 1 September 2011	**4**	**0**	**4**
Movements in 2011/2012			
Depreciation	–	0	0
	–	**0**	**0**
31 December 2012			
Acquisition or production costs	4	0	4
Accumulated depreciation and impairments	–	0	0
Carrying amount at 31 December 2012	**4**	**0**	**4**
Movements in 2013			
Depreciation	–	0	0
Acquisitions	–4	–	–4
	–4	**0**	**–4**
31 December 2013			
Acquisition or production costs	–	0	0
Accumulated depreciation and impairments	–	0	0
Carrying amount at 31 December 2013	**–**	**0**	**0**

NOTE P11 Deferred and current income tax

THE SPLIT BETWEEN THE DEFERRED TAX ASSETS AND LIABILITIES CAN BE MADE AS FOLLOWS:

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Deferred tax assets	4	4
Total	**4**	**4**

Deferred tax assets refer, among other things, to the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements.

THE AMOUNTS ARE AS FOLLOWS:

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Deferred tax asset to be realised after more than 12 months	4	4
Total	**4**	**4**

THE COMPOSITION OF DEDUCTIBLE TEMPORARY DIFFERENCES (BOTH RECOGNISED AND UNRECOGNISED) AND UNUTILISED TAX LOSSES CARRIED FORWARD IS AS FOLLOWS:

SEKm	31 Dec 2013		31 Dec 2012	
	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	4	–	3	–
Tax losses carried forward	–	–	1	–
Total	**4**	**–**	**4**	**–**

For the unrecognised deductible temporary differences, unused tax credits and tax losses carried forward, it is not yet probable that these may be utilised against future taxable profits or set off against other tax liabilities in the same tax group or tax jurisdiction. While judging this probability, management took into account the financial forecast figures and prior year taxable income.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax base of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

The Group has taxable temporary differences for which a deferred tax liability is recognised, since the Group will be able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will be reversed in the foreseeable future.

THE BREAKDOWN BETWEEN CURRENT TAX ASSETS AND LIABILITIES CAN BE MADE AS FOLLOWS:

SEKm	1 Jan 2013 – 31 Dec 2013	1 Sep 2011 – 31 Dec 2012
Current income tax receivables	2	1
Current income tax liabilities	0	–
Total	**2**	**1**

NOTE P12 Non-current financial assets

SEKm	Receivable related to demerger from Fazer	Shareholdings in group companies	Total
1 September 2011			
Acquisition or production costs	5	538	543
Accumulated amortisation and impairments	–	–	–
Carrying amount at 1 September 2011	**5**	**538**	**543**
Movements in 2011/2012			
Acquisitions	–	4,087	4,087
Divestments	–4	–	–4
Impairments	–1	–	–1
Total	**–5**	**4,087**	**4,082**
31 December 2012			
Acquisition or production costs	–	4,625	4,625
Accumulated amortisation and impairments	–	–	–
Carrying amount at 31 December 2012	**–**	**4,625**	**4,625**
Movements in 2013	–	–	–
31 December 2013			
Acquisition or production costs	–	4,625	4,625
Accumulated amortisation and impairments	–	–	–
Book value at 31 December 2013	**–**	**4,625**	**4,625**

See Note P13 for specification of subsidiaries.

The fair values of other non-current receivables approximate their carrying value.

None of the different classes of non-current receivables contain impaired assets. There is no credit risk exposure at 31 December 2013. The company does not hold any collateral as security. The fair value of the shareholdings in group companies is approximately equal to its carrying amount.

NOTE P1
NOTE P2
NOTE P3
NOTE P4
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NOTE P13 Shareholdings in group companies

SEKm	Corp. ID no.	Domicile	% of capital 31 Dec 2013	% of capital 31 Dec 2012	Carrying amount 31 Dec 2013	Carrying amount 31 Dec 2012
Cloetta Holland B.V. (formerly known as Leaf Holland B.V.)[1]	34221053	Amsterdam, the Netherlands	100	100	4,087	4,087
Cloetta België N.V. (formerly known as Leaf België Production N.V.)[1]	404183756	Turnhout, Belgium	100	100	–	–
Leaf Belgium Distribution N.V.[1,2]	0438814934	Lier, Belgium	0	0	–	–
Leaf Danmark Ejendomsselskab ApS[1,3]	34093105	Slagelse, Denmark	0	0	–	–
Cloetta Suomi Oy (formerly known as Leaf Suomi Oy)[1]	1933121-3	Turku, Finland	100	100	–	–
Leaf Leasing Oy[1,10]	1905987-0	Turku, Finland	–	100	–	–
Karikkikatu Oy[1]	0723577-7	Turku, Finland	100	100	–	–
Cloetta Denmark ApS[1]	28106866	Brøndby, Denmark	100	100	–	–
Cloetta Norge AS [1]	987 943 033	Høvik, Norway	100	100	–	–
Cloetta International AS[11]	911 167 271	Askim, Norway	–	100	–	–
Cloetta A/S[11]	967 897 167	Askim, Norway	–	100	–	–
Cloetta Deutschland GmbH (formerly known as Leaf Deutschland GmbH)[1]	HRB 9561	Bocholt, Germany	100	100	–	–
Cloetta Italia S.r.l. (formerly known as Leaf Italia S.r.l.)[1]	CR - 163489	Cremona, Italy	100	100	–	–
Saila S.p.A.[1]	03903510968	Silvi Marina, Italy	100	100	–	–
Cloetta USA Inc.[12]	EIN 46-2706408	Wilmington, USA	100	–	–	–
Cloetta Finance Holland B.V. (formerly known as Leaf Finance Holland B.V.)[1]	20078943	Amsterdam, the Netherlands	100	100	–	–
Leaf Slovakia s.r.o.[1]	35 962 488	Bratislava, Slovakia	100	100	–	–
Leaf United Kingdom Ltd[9]	5369788	Southport, UK	–	100	–	–
Cloetta GGS Holding Ltd.[13]	08520582	London, UK	100	–	–	–
FTF Sweets Ltd.[13]	06775890	Heysham, UK	100	–	–	–
FTF Sweets USA Inc.[13]	211476123	Newark, USA	100	–	–	–
Cloetta Produktion Sverige AB	556226-4514	Linköping, Sweden	100	100	532	532
Cloetta Sverige AB[1]	556674-9155	Malmö, Sweden	100	100	–	–
Leaf Sverige IP AB[1]	556877-0092	Malmö, Sweden	100	100	–	–
Leaf Baltics AS[1,4]	10110356	Tallinn, Estonia	–	–	–	–
OOO Leaf[1,5]	001791782	Saint Petersburg, Russia	–	–	–	–
Cloetta International AB[8]	556189-9641	Linköping, Sweden	–	–	–	–
Candelia Polly AB[8]	556282-6957	Linköping, Sweden	–	–	–	–
Gig AB[8]	556373-6130	Linköping, Sweden	–	–	–	–
Cloetta Invest AB[8]	556010-3839	Linköping, Sweden	–	–	–	–
Cloetta Holding AB[7]	556243-2103	Linköping, Sweden	–	–	–	–
Kavalleristen AB[8]	556185-7110	Linköping, Sweden	–	–	–	–
Choklad-Thule AB[8]	556308-8193	Linköping, Sweden	–	–	–	–
AB Jaeger Peps Candy Co[8]	556369-5146	Linköping, Sweden	–	–	–	–
AB Karamellpojkarna	556063-3223	Alingsås, Sweden	100	100	4	4
Karamellpojkarna Sälj AB[6]	556238-0609	Alingsås, Sweden	–	–	–	–
Cloetta Development AB	556377-3182	Linköping, Sweden	100	100	2	2
Albisol Education & Conference Ltd, in liquidation	–	Gibraltar, UK	100	100	–	–
					4,625	4,625

1 On 16 February 2012 Cloetta AB acquired Leaf Holland B.V. and its subsidiaries from Yllop Holding S.A. (formerly known as Leaf Holding S.A.).
2) Divested as of 22 February 2012 to Katjes International GmbH & Co KG in Germany.
3) On 31 May 2012 Leaf Denmark Ejendomsselskab ApS was sold to LH Holding Slagelse ApS through a transfer of shares.
4) Leaf Baltics AS was liquidated as of 15 February 2012.
5) OOO Leaf was liquidated as of 27 August 2012.
6) Karamellpojkarna Sälj AB merged into AB Karamellpojkarna as of 10 October 2012.
7) Cloetta Holding AB merged into Cloetta Invest AB as of 4 October 2012.
8) AB Jaeger Peps Candy Co, Choklad-Thule AB, Kavalleristen AB, Cloetta Invest AB, Candelia Polly AB, Gig AB and Cloetta International AB merged into Cloetta Sverige Produktion AB as of 10 October 2012 and 5 December 2012.
9) Leaf UK Ltd. was liquidated as of 29 January 2013.
10) Leaf Leasing Oy merged into Cloetta Suomi Oy (formerly known as Leaf Suomi Oy) as of 31 December 2013.
11) Cloetta International AS and Cloetta A/S merged into Cloetta Norge AS as of 9 March 2013.
12) Cloetta USA Inc was incorporated as of 6 May 2013.
13) Cloetta GGS Holding Ltd was incorporated as of 8 May 2013. FTF Sweets Ltd. and FTF Sweets USA Inc. were acquired on 20 May 2013.

Cloetta Nutisal AB (formerly known as Alrifai Nutisal AB) was acquired by Cloetta Holland B.V. (formerly known as Leaf Holland B.V.) as of 8 January 2014.

NOTE P14 Prepaid expenses and accrued income

THE BREAKDOWN OF PREPAID EXPENSES AND ACCRUED INCOME IS AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Prepaid rents, insurance and lease charges	0	–
Other prepaid expenses	1	0
Other accrued income	0	–
Total	**1**	**0**

NOTE P15 Cash and cash equivalents

THE ITEM CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT CONSISTS OF THE FOLLOWING:

SEKm	31 Dec 2013	31 Dec 2012
Specification of cash and cash equivalents		
Cash and bank balances	–	12
Total	**–**	**12**

As of June 2013 a Notional Group Account has been set up and is held by Cloetta Holland B.V. (formerly known as Leaf Holland B.V.). As a result, no cash is presented by Cloetta AB (publ).

NOTE P16 Equity

Share capital

The number of shares authorised, issued and fully paid at 31 December 2013 was 288,619,299, consisting of 9,861,614 class A shares and 278,757,685 class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

THE NUMBER OF SHARES OUTSTANDING AT THE BEGINNING AND THE END OF THE PERIOD IS AS FOLLOWS:

31 August 2011	24,319,186
Conversion of convertible loan	367,289
Directed new share issue	165,186,924
Rights issue	98,745,900
31 December 2012	288,619,299
Movements in 2013	–
31 December 2013	**288,619,299**

Non-restricted equity

Share premium reserve

On 16 February 2012, Cloetta completed its acquisition of Leaf Holland B.V. Part of the purchase price was paid through the issue in kind of Cloetta class C shares. Furthermore, in 2012 Cloetta conducted a rights issue of SEK 1,057m to finance the acquisition. Cloetta also issued shares in 2012 under a convertible loan programme for its employees. These newly issued shares have led to an increase of SEK 2,303m in the share premium reserve, where SEK 1,730m is related to the issue of class C shares, SEK 563m is related to the rights issue and SEK 10m is a result of shares issued under the convertible loan programme.

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.

NOTE P17 Borrowings

SEKm	Remaining term < 1 year	Remaining term 1 – 5 years	Remaining term > 5 years	31 December 2013 Total remaining term > 1 years
Senior secured notes	–	988	–	988
Total	**–**	**988**	**–**	**988**

SEKm	Remaining term < 1 year	Remaining term 1 – 5 years	Remaining term > 5 years	31 December 2012 Total remaining term > 1 years
Loans from credit institutions	214	343	–	343
Total	**214**	**343**	**–**	**343**

The SEK 30m convertible debenture loan for the former Cloetta employees ran from 14 May 2009 to 30 March 2012. The convertible loan could be converted to class B shares in Cloetta during the period from 25 February 2011 to 25 February 2012 at a conversion rate of SEK 30.40. A total of 567,279 shares had been issued as a result of conversion when the loan expired, which is equal to a total increase in the share capital by SEK 3m and an increase in the share premium reserve by SEK 14m.

In 2013, the Company's terms for the existing borrowing facility were renegotiated in conjunction with the issuance of senior secured notes of SEK 1,000m. The net proceeds from the senior secured notes have been used to refinance existing debt.

See Note 23 for full disclosure of the borrowings.

NOTE P18 Trade and other payables

SEKm	31 Dec 2013	31 Dec 2012
Trade payables	6	4
Other current liabilities	3	1
Accrued expenses and deferred income	17	11
Total	**26**	**16**

NOTE P19 Accrued expenses and deferred income

SEKm	31 Dec 2013	31 Dec 2012
Accrued personnel-related expenses	8	5
Other accrued expenses and deferred income	9	6
Total	**17**	**11**

NOTE P20 Non-cash items

SEKm	31 Dec 2013	31 Dec 2012
Amortisation/depreciation and impairment of assets	0	0
Capital gains/losses on the sale of non-current assets	–10	–
Unrealised foreign exchange gains/losses	1	2
Provisions for pensions	0	0
Other non-cash items	0	–3
Total	**–9**	**–1**

NOTE P21 Pledged assets and contingent liabilities

SEKm	31 Dec 2013	31 Dec 2012
Pledged assets		
Shares in subsidiaries	4,623	4,623
Total	**4,623**	**4,623**

SEKm	31 Dec 2013	31 Dec 2012
Contingent liabilities		
Guarantees on behalf of subsidiaries	197	190
Bank guarantees	0	0
Guarantee for group loan	2,881	2,755
Total contingent liabilities	**3,078**	**2,945**

See Note 23 for a description of assets pledged to Svenska Handelsbanken and the holders of senior secured notes.

NOTE P22 Related party transactions

The Parent Company's holdings of shares and participations in subsidiaries are specified in Note P13.

RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES ARE BROKEN DOWN AS FOLLOWS:

SEKm	31 Dec 2013	31 Dec 2012
Non-current interest-bearing receivables	528	–
Current interest-bearing receivables	–	65
Current interest-free receivables	85	77
Current interest-bearing payables	–1	–
Current interest-free payables	–9	–
Total	**603**	**142**

For the Parent Company, SEK 86m (72), equal to 100 per cent (100) of the year's net sales, and SEK 50m (41), equal to 51 per cent (37) of the year's purchases, refer to subsidiaries in the Cloetta Group. The prices of goods and services sold to and purchased from related parties are set on market-based terms.

During the first quarter Cloetta AB sold a property to Phlisa Metall AB, a subsidiary of AB Malfors Promotor, for a value of SEK 6m, generating a profit of SEK 3m. The property was sold at market value.

PROPOSED APPROPRIATION OF EARNINGS

Earnings in the Parent Company at the disposal of the Annual General Meeting	
Retained earnings	2,775,965,631
Profit for the year	1,805,549
Total, SEK	**2,777,771,180**

The Board of Directors proposes that no dividends be paid and that the full earnings be carried forward to new account.

The earnings are to be disposed of as follows:	
To be distributed to the shareholders	0
To be carried forward to new account	2,777,771,180
Total, SEK	**2,777,771,180**

The number of shares at 31 December 2013 was 288,619,299.

The Board of Directors and the President give their assurance that the consolidated financial statements and annual report have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, on the Application of International Accounting Standards and Generally Accepted Accounting Standards, and give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 6 March 2014

Lennart Bylock
Chairman

Hans Eckerström
Member of the Board

Håkan Kirstein
Member of the Board

Adriaan Nühn
Member of the Board

Robert-Jan van Ogtrop
Member of the Board

Mikael Svenfelt
Member of the Board

Olof Svenfelt
Member of the Board

Meg Tivéus
Member of the Board

Peter Törnquist
Member of the Board

Lilian Fossum Biner
Member of the Board

Lena Grönedal
Employee Board member

Bengt Baron
President and CEO

Our audit report was issued on 6 March 2014.

KPMG AB

Helene Willberg
Authorised Public Accountant

The profit and loss accounts and balance sheets of the Group and the Parent Company are subject to approval by the Annual General Meeting on 29 April 2014. The information in this report is subject to the disclosure requirements of Cloetta AB (publ) under the provisions in the Swedish Securities Market Act. The information was submitted to the media for publication on 14 March 2014, at 09:00 CET.

Noah Having dinner with @Joanna @Molly #Festivalmix

Auditor's report

To the annual meeting of the shareholders of Cloetta AB (publ), corp. id. 556308-8144

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Cloetta AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 64–145.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Cloetta AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 6 March 2014
KPMG AB

Helene Willberg
Authorised Public Accountant

FIVE-YEAR OVERVIEW

SEKm	2013 1 Jan–31 Dec	2012 1 Jan–31 Dec	2011 1 Jan–31 Dec	2010 1 Jan–31 Dec	2009 1 Jan–31 Dec
Profit and loss account in summary					
Net sales	4,893	4,859	4,658	5,019	5,486
Cost of goods sold	–3,081	–3,157	–2,911	–3,058	–3,422
Gross profit	**1,812**	**1,702**	**1,747**	**1,961**	**2,064**
Other income	12	13	1	16	0
Selling expenses	–850	–888	–915	–992	–1,019
General and administrative expenses	–556	–702	–473	–471	–503
Operating profit	**418**	**125**	**360**	**514**	**542**
Exchange differences in borrowings and cash and cash equivalents in foreign currencies	–12	20	–12	–13	–63
Other financial income	24	5	11	5	3
Other financial expenses	–220	–290	–599	–634	–677
Net financial items	**–208**	**–265**	**–600**	**–642**	**–737**
Profit before tax	**210**	**–140**	**–240**	**–128**	**–195**
Income tax expense	54	67	172	–211	22
Profit for the period for continuing operations	**264**	**–73**	**–68**	**–339**	**–173**
Result after tax from discontinued operations	–	0	0	0	0
Net profit for the period	**264**	**–73**	**–68**	**–339**	**–173**
Profit for the period attributable to:					
Owners of the Parent Company	264	–73	–68	–339	–173
Balance sheet in summary					
Intangible assets	5,252	5,099	4,811	4,822	5,383
Property, plant and equipment	1,660	1,611	1,318	1,333	1,623
Deferred tax asset	73	473	447	207	258
Other financial assets	91	88	261	147	45
Total non-current assets	**7,076**	**7,271**	**6,837**	**6,509**	**7,309**
Inventories	798	773	640	566	631
Current receivables	933	955	1,053	1,199	1,313
Cash and cash equivalents	167	306	97	220	245
Total current assets	**1,898**	**2,034**	**1,790**	**1,985**	**2,189**
Assets held for sale	15	35	15	0	0
TOTAL ASSETS	**8,989**	**9,340**	**8,642**	**8,494**	**9,498**
Equity	3,747	3,326	–385	–1,117	–619
Borrowings	3,096	2,516	6,077	6,826	7,224
Deferred tax liability	397	824	728	714	789
Derivative financial instruments	21	3	0	0	0
Other non-current liabilities	2	–	–	–	–
Provisions for pensions and other long-term employee benefits[1]	360	452	250	222	250
Provisions[1]	7	11	24	29	28
Total non-current liabilities	**3,883**	**3,806**	**7,079**	**7,791**	**8,291**
Borrowings	212	747	747	642	680
Derivative financial instruments	2	21	0	0	0
Current liabilities	1,066	1,361	1,141	1,100	1,080
Provisions	79	79	60	78	66
Total current liabilities	**1,359**	**2,208**	**1,948**	**1,820**	**1,826**
TOTAL EQUITY AND LIABILITIES	**8,989**	**9,340**	**8,642**	**8,494**	**9,498**

1 Provisions for pensions and other long-term employee benefits have been reported separately from the other provisions.

KEY RATIOS

SEKm	2013 1 Jan–31 Dec	2012 1 Jan–31 Dec	2011 1 Jan–31 Dec	2010 1 Jan–31 Dec	2009 1 Jan–31 Dec
Profit					
Net sales	4,893	4,859	4,658	5,019	5,486
Net sales, change %	0.7	4.3	N/A	N/A	N/A
Underlying net sales, change, %	–1.0	–4.1	N/A	N/A	N/A
Gross margin, %	37.0	35.0	37.5	39.1	37.6
Underlying EBITDA[4]	766	597	693	N/A	N/A
Underlying EBITDA margin, %	15.6	12.3	13.7	N/A	N/A
Depreciation	–175	–167	–115	–125	–144
Amortisation	–2	–1	–8	–18	–10
Underlying EBIT[4]	591	423	522	N/A	N/A
Underlying EBIT margin, %	12.0	8.7	10.3	N/A	N/A
Restructuring	–167	–309	–209	–163	–156
Operating profit (EBIT)	418	125	360	514	542
Operating profit margin (EBIT margin), %	8.5	2.6	7.8	10.3	9.9
Profit margin, %	4.3	–2.9	–5.1	–3.3	–3.6
Financial position					
Working capital[3]	763	458	586	649	716
Capital expenditure	–211	–269	–224	–97	–107
Net debt	3,230	3,056	2,827	3,070	3,812
Capital employed[3]	7,438	7,066	6,682	6,575	7,543
Return on capital employed, %[3]	6.1	1.9	5.7	N/A	N/A
Equity/assets ratio, %	41.7	35.6	–4.5	–13.2	–6.5
Net debt/equity ratio, %	86.2	91.9	–734.3	–274.8	–615.8
Return on equity, %	7.0	–2.2	N/A	N/A	N/A
Equity per share, SEK	13.0	11.5	N/A	N/A	N/A
Net debt/underlying EBITDA[1]	4.2	5.1	N/A	N/A	N/A
Cash flow					
Cash flow from operating activities	131	330	492	379	540
Investments in non-current assets	–202	–1,506	–335	–83	–121
Cash flow after investments	–71	–1,176	157	296	419
Cash conversion, %	72.5	54.9	68.9	N/A	N/A
Cash flow from operating activities per share, SEK[1]	0.5	1.1	N/A	N/A	N/A
Employees					
Average number of employees	2,472	2,579	2,192	2,275	2,309
Share data					
Earnings per share, basic, SEK[1,2]	0.92	–0.26	–0.26	N/A	N/A
Earnings per share, diluted, SEK[1,2,5]	0.92	–0.26	–0.26	N/A	N/A
Number of shares at end of period[2]	288,619,299	288,619,299	262,137,526	N/A	N/A
Average numbers of shares (basic)[2,5]	288,010,947	276,132,021	262,137,526	N/A	N/A
Average numbers of shares (diluted)[2,5]	288,026,408	276,132,021	262,137,526	N/A	N/A

1 The key ratios per share for the years 2009–2011 are not representative for the current group due to a completely different capital and equity structure before the merger between Cloetta and LEAF.
2 The number of shares for the year 2011 has been restated for the rights issue.
3 Adjusted for amended definition.
4 All underlying data have been restated at new constant exchange rates.
5 Cloetta entered into a long-term equity swap to fulfil its future obligation to deliver the shares to the participants in the long-term share-based incentive plan. Earnings per share are calculated on the average number of shares adjusted for the effect of the forward contract to repurchase own shares. The equity swap covers a total of 1,037,610 Cloetta AB shares for an amount of SEK 18.50678 per share.

For definitions, see page 152.

Cloetta's history is full of legendary brands

The Cloetta brothers

In 1862 the three Swiss Cloetta brothers, Bernard, Christoffer and Nutin Cloëtta, founded the company "Brødrene Cloëtta" for manufacturing of chocolate and confectionery in Copenhagen, Denmark. The brothers later moved their manufacturing to Sweden and the company was owned by the Cloetta family until 1917, when the Svenfelt family took over the majority shareholding in Cloetta via the newly formed Svenska Chokladfabriks AB. The Svenfelt family has major ownership interests in Cloetta to this day.

CLOETTA'S OLDEST BRANDS DATE FROM THE 1800s

In 1836 Sperlari was launched in Italy, and in 1878 Venco was launched in the Netherlands.

1900–1913, INDUSTRIALISATION CAN BE EXPLOITED

Electrification and railway construction accelerated the pace of industrialisation, a critical enabler for businesses like the Swedish companies Ahlgrens and Cloetta, which were active in industrial production of confectionery. Läkerol was launched in 1909 and Guldnougat in 1913. Läkerol was also launched in Denmark in 1910 and Norway in 1912. In the Netherlands, the pastille brand King was launched in 1902.

THE ROARING TWENTIES

The confectionery industry grew after the war. The slogan "Choose right – choose Cloetta" was created in 1921. In 1928 Sisu was launched in Finland, Red Band in the Netherlands and Tarragona in Sweden.

THE 1930–40s, LAUNCH OF STRONG BRANDS

Malaco (Malmö Lakrits Compani) was founded in 1934 during the period between the two world wars. Sportlunch (then called Mellanmål) was launched in 1937, as was Saila in Italy. Kexchoklad was introduced in 1938 and Center in 1941. Plopp was launched after WWII in 1949.

1950s – AN INTEREST IN THE USA AND CARS

The chewing gum Jenkki (Yankee) was launched in Finland in 1951. Ahlgrens bilar – the world's best-selling car, was launched in 1953 with Italian Bugatti as its inspiration.

Guldnougat 100 years

Guldnougat is the original that was launched back in 1913, a luxurious Swedish treat shaped like a gold bar.

With a unique, creamy, smooth and rich hazelnut nougat, Guldnougat is a real indulgence that melts in your mouth.

1940

1973

1914

1934

1950

1960s, A LITTLE MORE PLAYFUL

The double countline Tupla was launched in Finland in 1960. In Sweden, Polly was launched in 1965 and Bridgeblandning in 1966. Chewits were launched in the United Kingdom in 1965. The first marshmallow Santas were also sold in the 1960s.

1970s – FRESH AND HEALTHY

In Italy, Galatine was launched in 1970 as a candy for children. Also in 1975, the world's first chewing gum with xylitol was launched by Jenkki in Finland. The Mynthon pastille was introduced in Finland in 1976. In 1977 Dietorelle launched sugar-free confectionery in Italy, and in 1979 the sweetener Dietor was launched in Italy.

In Sweden, the mixed candy bag Gott & Blandat was launched in response to the growing popularity of pick-and-mix.

1980s, CHEWING GUM FURTHER DEVELOPED

In 1981 Sportlife was launched as the first chewing gum in "blister" packaging. In the Netherlands, the country's first chewing gum with 100% xylitol, Xylifresh, was launched in 1988.

1990s – CONSOLIDATION OF THE CONFECTIONERY INDUSTRY

CSM, a Dutch sugar and food products company, acquired Red Band in 1986. LEAF acquired Ahlgrens (with Läkerol and Ahlgrens bilar) in 1993, CSM acquired Malaco in 1997, Cloetta acquired Candelia (with Polly and Bridgeblandning) in 1998 and CSM acquired LEAF in 1999. Cloetta's share was listed on the Stockholm Stock Exchange in 1994.

2000s – NEW GROUPS FORMED

During the period from 2000 to 2009, Cloetta was part of the Cloetta Fazer group. After the demerger in 2009, the independent Cloetta was relisted on NASDAQ OMX Stockholm.

In 2000 CSM acquired Continental Sweets and thereby strengthened its position primarily in France and Belgium, but also in the Netherlands and the United Kingdom. In 2001 CSM acquired Socalbe in Italy (with Dietorelle and Dietor).

In 2005 CVC and Nordic Capital acquired CSM's confectionery division, which changed name to LEAF.

Cloetta and LEAF were merged in 2012.

Cloetta

Definitions and glossary

GENERAL	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparable figures for the same period of the prior year, unless otherwise stated.
MARGINS	
EBIT margin	EBIT expressed as a percentage of net sales.
EBITDA margin	EBITDA expressed as a percentage of net sales.
Gross margin	Net sales less cost of goods sold as a percentage of net sales.
Operating margin	Operating profit expressed as a percentage of net sales.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.
RETURN	
Cash conversion	Underlying EBITDA less capital expenditures as a percentage of underlying EBITDA.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed.
Return on equity	Profit for the period as a percentage of total equity.
CAPITAL STRUCTURE	
Capital employed	Total assets less interest-free liabilities (including deferred tax).
Equity/assets ratio	Equity at the end of the period as a percentage of total assets.
Interest-bearing liabilities	Total non-current and current borrowings, including pensions and other long-term employee benefits.
Gross debt	Gross current and non-current borrowings, credit overdraft facility, derivative financial instruments and interest payables.
Net debt	Gross debt less cash and cash equivalents.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.
Third-party borrowings	Total non-current and current borrowings excluding loans to former shareholders and finance lease liabilities.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.
DATA PER SHARE	
Earnings per share	Profit for the period divided by the average number of shares.
OTHER DEFINITIONS	
EBIT	Operating profit or earnings before interest and taxes.
EBITDA	Operating profit before depreciation and amortisation.
Items affecting comparability	Items affecting comparability relate to non-recurring items, exchange rate differences between the actual and constant rate and structural changes.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.
Underlying net sales, EBIT, EBIT margin	The underlying figures are based on constant exchange rates and the current structure (excluding the distribution business in Belgium and a third-party distribution agreement in Italy) and excluding items affecting comparability. Includes the former Cloetta's historical financial values for better comparability

GLOSSARY	
BRC Global Standards for food safety	A leading safety and quality certification program. Many European and global retailers will only consider business with suppliers who have gained certification to the BRC Global Standard.
Factory restructurings /restructurings	Due to excess capacity, Cloetta has closed factories in Sweden, Denmark and Finland during 2012/2013.
BRC Global Standards for food safety	A leading safety and quality certification program. Many European and global retailers will only consider business with suppliers who have gained certification to the BRC Global Standard.
GRI Global reporting standard	A network-based organisation whose founders include the UN. GRI has pioneered the development of a framework for the structure and content of sustainability reporting.
ICC	International chamber of commerce.
ILO	International Labour Organization, United Nations agency dealing with labour issues.
Integration	Cloetta and LEAF were merged on 16 February 2012. The integration has primarily consisted of processes to form a new common culture, but also of restructuring of the commercial organisation and administration in Sweden, rationalisation of warehouse operations in Scandinavia and insourcing of third-party brands.
ISO 9001 and ISO 14001	International Organization for Standardization. ISO 9001 address
OHSAS 18001	International occupational health and safety management system specification.
UTZ	Certified standards for sustainable farming and better opportunities for farmers and the environment.

Shareholder information

FINANCIAL CALENDAR

2014	MARCH	Annual report 2013	14 March 2014
	APRIL	Interim report Q1 2014	25 April 2014
		Annual General Meeting	29 April 2014
	MAY		
	JUNE		
	JULY	Interim report Q2 2014	18 July 2014
	AUGUST		
	SEPTEMBER		
	OCTOBER		
	NOVEMBER	Interim report Q3 2014	14 November 2014
	DECEMBER		
2015	JANUARY		
	FEBRUARY	Year-end report 2014	13 February 2015

SHAREHOLDER CONTACT

Jacob Broberg, Senior Vice President Corporate Communications and Investor Relations, +46 70 190 00 33, jacob.broberg@cloetta.com or ir@cloetta.com
Danko Maras, CFO, +46 8 527 288 00.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will be held on Tuesday, 29 April 2014, at 2:00 p.m. CET, at Norra Latin, Drottninggatan 71b in Stockholm, Sweden. The Notice of the Annual General Meeting will be published at the end of March 2014.

Registration

Registration to participate in the AGM must be received by the company no later than Wednesday, 23 April 2014.

Shareholders can register as follows:

MAIL: Cloetta AB
"Annual General Meeting"
Box 7841
103 98 Stockholm, Sweden
TEL: + 46 8-402 92 85
WEBB: www.cloetta.com/arsstamma2014
E-MAIL: susanne.beijar@cloetta.com

TO ORDER THE ANNUAL REPORT

The annual report is published in Swedish and English. The printed annual report can be ordered via the website. It can also be downloaded from www.cloetta.com.

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ABOUT CLOETTA

Cloetta, founded in 1862, is a leading confectionery company in the Nordic region, the Netherlands and Italy. In total, Cloetta products are sold in more than 50 countries worldwide. Cloetta owns some of the strongest brands on the market, such as Läkerol, Cloetta, Jenkki, Kexchoklad, Malaco, Sportlife, Saila, Red Band and Sperlari. Cloetta has 10 production units in five countries. Cloetta's class B shares are traded on NASDAQ OMX Stockholm.

Cloetta AB (publ) • Corp. ID no. 556308-8144 • Kista Science Tower, SE-164 51 Kista, Sweden.
Tel +46 8-52 72 88 00 • www.cloetta.com