



Corporate
governance

Corporate governance report

The aims of good of 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 and timely information to the market.

Swedish Code of Corporate Governance

Cloetta AB (publ) operates under Swedish law and its corporate governance is also regulated by the Articles of Association, the listing agreement with the Stockholm Stock Exchange, other applicable rules and norms, the Code of Conduct and other instructions and policies. Since 1 July 2008, all companies whose shares are traded on NASDAQ OMX Stockholm AB are required to apply the Swedish Code of Corporate Governance regardless of their market capitalisation.

Cloetta is 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 intends to deviate from a rule in the Code must explain the reason for doing so.

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 by the Swedish Companies Act and the Articles of Association. Cloetta's financial year runs from 1 September to 31 August, which means that the company's Annual General Meeting (AGM) must be held during the months of November, December or January. 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 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 participate in the AGM, in person or by proxy. 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

1. no later than one week before earliest date on which the notice of meeting may be published (e.g. the request must be received at the latest seven weeks before the AGM), or
2. after the date specified in 1 but in such time that the matter can be included in the notice to attend the AGM.

2008 Annual General Meeting (AGM)

The latest AGM was held on 5 November 2008 in Stockholm. The AGM resolved that the Board would consist of Olof Svenfelt (Chairman), Lennart Bohlin, Johan Hjertsonsson, Ulrika Stuart Hamilton, Mikael Svenfelt and Meg Tivéus. In addition, the union organisations appointed two employee representatives to the Board. Olof Svenfelt was elected as Board Chairman. Among other things, the AGM also resolved on the implementation of a bonus issue, the appointment of a nominating committee and guidelines for remuneration to senior executives.

Extraordinary General Meeting (EGM) in 2009

An extraordinary general meeting was held on 20 March 2009 in Stockholm. The EGM resolved to implement a convertible note programme for all employees in the Cloetta Group.

2008/2009 Annual General Meeting (AGM)

The 2008/2009 AGM will be held at 2:00 p.m. on Friday, 18 December 2009, at Collegium in Linköping. Notice to attend the AGM will be

published in mid-November 2009 and will also include a description of the Board's proposed appropriation of earnings and other proposals. For additional information, see page 95 and the company's website www.cloetta.se.

Articles of Association

The Articles of Association are adopted by the General Meeting and contain obligatory information of a fundamental nature to the company.

These articles specify the object of the company's operations, the size of the share capital, the voting rights attached to the different classes of shares and the composition of the Board.

The full Articles of Association can be viewed on Cloetta's website www.cloetta.se.

The Board of Directors and its work plan

The primary task of the Board is to serve the interests of the shareholders in the conduct of the company's business in such way as to ensure the best possible long-term return on investment for the shareholders. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance over the subsidiaries and associated companies. The Board's powers and duties are regulated in the Swedish Companies Act and the Articles of Association.

In addition, the activities of the Board are governed by a work plan and instructions pertaining to the division of responsibilities (between the Board, the Managing Director and those company bodies set up by the Board) that has been adopted by the Board.

Work plan

The Board's work plan contains and regulates the following points:

- Certain of the Board's obligations pursuant to the Swedish Companies Act, etc.
- Notice to attend general meetings

- Financial reporting to the market
- Items of business to be taken up at Board meetings, etc.
- Internal reports to be submitted to the Board
- Notice to attend meetings, etc.
- Presence of a quorum
- Minutes from Board meetings
- Disqualification due to impartiality, etc.
- Liability of Board members, etc.

Instructions and policies

Furthermore, the Board issues instructions and policies regarding:

- Financial targets/objectives for the Group
- Financial limits and administrative routines for investments, etc.
- Responsibility and principles for financial management
- Responsibility and routines for safeguarding and strengthening the value of the brands
- Basic principles for internal and external communication
- Responsibilities and principles for purchasing of cocoa products

Internal reports

Internal reports such as the consolidated accounts are compiled and delivered to the Board on a monthly basis. Prior to each regular Board meeting, a sales report is also drawn up for the prioritised brands, a purchasing report for the most significant raw materials, a review of the Group's liquidity and development and an overview of budgeted, decided and implemented investments. Every financial year, a profit, balance sheet and investment budget is prepared for the Group and is adopted at the regular Board meeting in August.

Board meetings

According to the work plan, the Board holds at least six scheduled meetings per year with certain fixed items on the agenda.

The **December** meeting, preferably held in connection with the AGM, deals with approval of the interim report for the period from September to November. The statutory meeting is held immediately following the AGM and handles matters such as appointment of minutes-keepers and minutes-checkers, decision on signatory authority, election of the remuneration committee and audit committee, as well as review and adoption of the instructions issued by the Board.

A meeting is held in **February** if needed.

The **March** meeting deals with approval of the interim report for the period from September

to February. By this meeting at the latest, decisions are made regarding the time and place of the coming year's AGM (see page 95), the dates and times for the coming year's regular Board meetings and the publication dates for the coming year's financial reports to the market.

The **June** meeting deals with approval of the interim report for the period from September to May.

In **August**, the Board reviews and approves business plans and budgets for the coming year.

The **October** meeting deals with items such as the annual accounts, the proposed dividend, appropriations, the draft annual report and administration report, the year-end report and the upcoming AGM.

At the scheduled meetings, the Board also discusses the activities and financial results of the company and the subsidiaries, as well as other pertinent projects and matters. Extra meetings may be held in addition to the scheduled meetings and, in urgent cases, also by telephone. Since the AGM on 5 November 2008, and aside from the statutory meeting, the Board has held six scheduled meetings at which it dealt with the fixed items on the agenda of each Board meeting, such as the business and market situation, financial reporting, liquidity, investments and budgetary matters. In addition, overall strategic matters have been analysed with regard to the company's focus, external factors and growth opportunities. Aside from the regular Board meetings, ten extra meetings were held. During these meetings, the Board dealt with matters related to the demerger of Cloetta Fazer, the issue of convertible notes to the employees and other strategic business decisions.

Board members

The current Board of Directors consisted of the following six members that were elected by the AGM on 5 November 2008: Olof Svenfelt (Chairman), Lennart Bohlin, Johan Hjertonsson, Ulrika Stuart Hamilton, Mikael Svenfelt and Meg Tivéus. Olof Svenfelt and Mikael Svenfelt had previously held seats on the Board since 25 August 2008. Although the other members, i.e. Lennart Bohlin, Johan Hjertonsson, Ulrika Stuart Hamilton and Meg Tivéus, were formally elected to the Board on 5 November 2008, these individuals had been informally active on the Board since 1 September 2008 in preparation for the market listing. For information about the Board members' significant assignments outside the Group and shareholdings in the company, see page 47.

Lena Grönedal and Birgitta Hillman have served on the Board as employee representatives, with Linus Ekegren and Birgitta Junland as deputies. Other than the employee representatives and their deputies, no Board member is employed by the company. Kent Sandin, the company's CFO, has acted as primary Board Secretary during the year.

According to the decision of the AGM on 5 November 2008, the Board Chairman receives fees of SEK 175,000 and the other regular Board members receive fees of SEK 150,000 each. The employee representatives receive fees of SEK 20,000 each. The Board members serving on the audit committee receive additional fees of SEK 20,000 each.

Of the Board's six members, all are independent in relation to the company and its management and four are independent in relation to the company's major shareholders.

Chairman

The Chairman is responsible for ensuring that the Board carries out its duties in an organised and efficient manner and for monitoring the Group's development. The Chairman also ensures that the Board is continuously provided with the information required to carry out its duties with consistently high quality and in accordance with the Swedish Companies Act. The AGM on 5 November 2008 elected Olof Svenfelt as Board Chairman.

Managing Director

The Managing Director, who is also the CEO, supervises operations according to the instructions adopted by the Board. He is responsible for ensuring that the Board members are supplied with the necessary information and decision data and is also required to present reports and put forward proposals at Board meetings regarding issues dealt with by the Executive Management. The Managing Director continuously informs the Board and Chairman about the financial position and development of the company and the Group. The Managing Director of Cloetta AB and CEO of the Cloetta Group since September 2008 is Curt Petri. For information about his significant assignments outside the Group and shareholding in the company, see page 48.

Group Management Team

The Managing Director of Cloetta AB heads the Group Management Team, which – in addition to the CEO – consists of those persons proposed by the CEO and appointed by the Board (see

page 48). This is a consultative body for the CEO and therefore has no autonomous executive authority. The Group Management Team meets as decided by the CEO.

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 the annual report are prepared in accordance with the legal requirements, relevant accounting standards and other rules and directives applicable to listed companies. The interim reports are examined by the Board's audit committee and are issued by the CEO on behalf of the Board. The semi-annual report for the period from September to February, like the annual report, is issued by all members of the Board and the CEO. 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 Managing Director 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 (see also section on internal reporting on page 41).

The Board ensures the quality of the Group's financial reporting through the audit committee, see below. The audit committee deals not only

with the company's financial reports and significant accounting matters, but also matters related to internal control, compliance with rules, reliability of reported values, events after the balance sheet date, changes in estimates and judgements and other conditions affecting the quality of the financial statements.

Committees

It is of considerable significance to the company that well-founded and credible nominations for appointment of Board members and auditors can be presented to the AGM. Professional expertise, independence and integrity are qualities that should characterise the company bodies.

Nominating committee

The AGM of Cloetta on 5 November 2008 resolved on the appointment of a nominating committee essentially according to the following. From among the Board members who are independent from the major shareholders, the company's Board of Directors shall appoint one member to serve on the nominating committee. Furthermore, the largest shareholder in terms of voting power has the right to appoint one member to the nominating committee. The two members thus appointed shall together appoint a third and final member to represent the small to mid-sized shareholders. From among its members, the nominating committee shall then appoint a chairman (who may not be the Board Chairman). The composition of the nominating committee

shall be announced at least six months prior to the AGM. The task of the nominating committee is to prepare recommendations to be put before the AGM for decision regarding election of Board members, fees to the Board of Directors, remuneration for committee work, election of the Board Chairman, election of a chairman of the AGM, and, when applicable, election of auditors and auditing fees.

The nominating committee ahead of the 2008/2009 AGM has the following composition:

- Christer Wagenius, chairman of the nominating committee (appointed by AB Malfors Promotor)
- Johan Hjertonsson (appointed by the Board of Cloetta AB from among the members independent from the major shareholders)
- Erik Sjöström (representing the shareholder Livförsäkringsaktiebolaget Skandia, appointed by Christer Wagenius and Johan Hjertonsson)

Ahead of the AGM, the nominating committee will propose rules for appointment of the nominating committee.

Audit committee

The Board has appointed an audit committee consisting of Olof Svenfelt, Mikael Svenfelt and Meg Tivéus. The main task of the committee is to support the Board in its efforts to ensure the quality of the company's financial reporting and to stay continuously informed about the focus and scope of the audit.

From the date of the previous AGM, the committee held three meetings. The company's audi-

Board of Directors

Attendance at Board meetings since the AGM on 5 November 2008

| | Year elected | Fees, SEK ¹⁾ | Independent from company | Independent from major shareholders | Total no. of meetings: 17 | Of which, scheduled and statutory meetings: 7 | Of which, extra meetings: 10 | Audit committee ²⁾ | Remuneration committee ³⁾ |
|------------------------|--------------|-------------------------|--------------------------|-------------------------------------|---------------------------|---|------------------------------|-------------------------------|--------------------------------------|
| Elected by the AGM: | | | | | | | | | |
| <i>Chairman</i> | | | | | | | | | |
| Olof Svenfelt | 2008 | 175,000 | X | | 17 | 7 | 10 | X | X |
| <i>Members</i> | | | | | | | | | |
| Lennart Bohlin | 2008 | 150,000 | X | X | 16 | 7 | 9 | | X |
| Ulrika Stuart Hamilton | 2008 | 150,000 | X | X | 15 | 7 | 8 | | X |
| Johan Hjertonsson | 2008 | 150,000 | X | X | 13 | 4 | 9 | | X |
| Mikael Svenfelt | 2008 | 150,000 | X | | 16 | 6 | 10 | X | X |
| Meg Tivéus | 2008 | 150,000 | X | X | 16 | 7 | 9 | X | X |

¹⁾ The AGM on 5 November 2008 resolved that Board fees would be paid fees in a maximum amount of SEK 1,005,000 and that fees to the members of the audit committee would amount to no more than SEK 60,000. Of the total Board fees, it was resolved that SEK 175,000 would be paid to the Board Chairman, SEK 150,000 to each of the other Board members and SEK 20,000 to each of the employee representatives. For further details see Note 7.

²⁾ The audit committee has held three meetings since the previous AGM. For attendance, see information about the audit committee on page 43.

³⁾ The remuneration committee has held two meetings since the previous AGM. For attendance, see information about the remuneration committee on page 43.

tor, Helene Willberg, has participated in all meetings of the audit committee. On one occasion, the auditor has also met with the committee without the presence of the Executive Management. Together with the Executive Management, the committee has evaluated the year's audit performance. Furthermore, the Board has met with the auditor in connection with the Board meeting on 16 October 2009 at which adoption of the annual accounts was dealt with.

| Member | Attendance at a total of 3 meetings |
|-----------------|--|
| Olof Svenfelt | 3 |
| Mikael Svenfelt | 3 |
| Meg Tivéus | 2 |

Remuneration committee

The Board has appointed a remuneration committee consisting of all Board members to

prepare recommendations for remuneration and other terms of employment for the Executive Management, as well as matters related to incentive programmes. The committee held two meetings during the period since the previous AGM. For remuneration to the Managing Director and other senior executives, see Note 7.

| Member | Attendance at a total of 2 meetings |
|------------------------|--|
| Olof Svenfelt | 2 |
| Lennart Bohlin | 2 |
| Lena Grönedal | 2 |
| Birgitta Hillman | 2 |
| Johan Hjertsson | 2 |
| Ulrika Stuart Hamilton | 2 |
| Mikael Svenfelt | 2 |
| Meg Tivéus | 2 |

Audit

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

The auditor is appointed by the AGM to serve for a mandate period normally lasting for four years. The AGM on 23 April 2007 appointed the certified auditing firm of KPMG AB as the company's auditor for the following four-year period. Authorised Public Accountant Helene Willberg is Auditor in Charge.



Board report on internal control

over financial reporting during the financial year from 1 September 2008 to 30 August 2009

Introduction

As stated in the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is responsible for internal control.

This report has been prepared in accordance with the Code, sections 10.5 and 10.6, and is limited to internal control over financial reporting.

The report is not part of the formal annual report and has not been examined by the company's auditors.

Framework for internal control

The guidelines issued by Svenskt Näringsliv (the Confederation of Swedish Enterprise) and FAR SRS (the Institute for the Accountancy Profession in Sweden) regarding the Board's report on internal control over financial reporting identify COSO (Committee of Sponsoring Organizations of the Treadway Commission¹⁾) as the most widely used and internationally accepted framework, and as having a special status in defining good internal control. The company has therefore decided to implement the COSO framework for internal control over financial reporting and the framework has been adapted to the company's operations and conditions.

Ongoing activities and planned initiatives

The company has performed an analysis at the Group level of the risk for significant deficiencies in the consolidated profit and loss accounts, balance sheets and related notes, with respect to both quantitative and qualitative risk parameters. Based on this risk analysis, a number of significant accounts and underlying processes were identified where the company's controls were analysed, documented and evaluated during the year in order to minimise the risk of significant deficiencies.

In the past year, clearly defined roles and responsibilities were formulated for internal control over financial reporting and Cloetta designed effective general IT controls such as IT access structures, routines for changes in systems, back-up routines and general IT security. In 2009/2010, independent testing and verification will be carried out in combination with self-assessments.

The self-assessments will provide a basis for the Board's evaluation of the effectiveness of internal control over financial reporting.

The Board has defined guidelines for the above work which include roles, responsibilities and processes that are vital in maintaining good internal control. The following description of how control over financial reporting is currently organised complies with the structure prescribed in the Svenskt Näringsliv/FAR SRS guidelines.

Description

Control environment

Effective oversight by the Board of Directors is the basis for good internal control. The company's Board of Directors has established well defined processes and procedures for its work. One key task of the Board is to decide on the internal control framework to be applied in the Group and to formulate and approve a number of fundamental policies and guidelines related to financial reporting. These include an accounting manual with instructions for financial accounting and reporting, a finance policy, instructions on decision-making powers and authorisation of business transactions and an ethical policy.

In addition, the Board has ensured that the organisational structure is logical and transparent with clearly defined roles, responsibilities and processes that promote effective management of operating risks.

The audit committee assists the Board in continuous monitoring of internal control. The tasks of the audit committee include evaluation and discussion of significant accounting and reporting issues.

Since the Annual General Meeting on 5 November 2008, the audit committee has received reports from the company's management on the progress of the internal control project.

The audit committee has examined and evaluated the routines for financial accounting and reporting and has monitored and evaluated the external auditor's performance, qualifications and independence. In the past year the audit committee held three reviews with, and received reports from, the company's independent auditors.

The company's management has operating responsibility for internal control. The Group CFO has overall operating responsibility for internal control over the Group's financial reporting, and reports to the management and the Board.

Those in charge of finance and accounting in the subsidiaries will have overall responsibility for internal control over financial reporting in their own units, and will continuously report on the status of internal control to the Group CFO.

Risk assessment

As mentioned earlier, risk analyses are performed to assess the risk for irregularities in financial reporting.

Furthermore, the company has established a number of risk management processes that have a considerable influence on the company's ability to ensure complete and accurate financial reporting. These procedures cover the following main areas:

- Risk assessments in which one aim is to quickly identify events in the market or in operations with a potential effect on the financial reporting.

¹⁾ Originally formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting in the USA.

- Processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the company's financial reporting.

Control activities

Control structures are designed to manage the risks which the Board judges to be significant for internal control over financial reporting and which have been identified in the company's risk analysis. These control structures consist partly of an organisation with clearly defined roles that facilitate an effective, and from an internal control standpoint, appropriate division of responsibilities, and partly of specific control activities aimed at detecting or preventing risks for significant deficiencies in financial reporting. As a result of the ongoing activities, critical control activities have been thoroughly documented and linked to the inherent risks they are intended to minimise for every significant account in the profit and loss account and balance sheet and the related notes in the company's annual report.

Examples of control activities include channels and procedures for significant decisions (such as investments, agreements, approval of accounting transactions, etc.), profit analyses and other analytical procedures, reconciliations, inventories and automatic controls in IT systems.

Information and communication

The company's normative documents in the form of policies, guidelines, manuals, etc., with relevance for financial reporting are continuously updated and communicated via appropriate channels, such as the intranet and internal meetings.

Internal reporting on the effectiveness of internal control will be implemented throughout the Group and will be carried out continuously starting in the next financial year. Verification that the controls are functioning as intended will be accomplished through self-assessments by the process owner in combination with objective testing, and will be reported within the organisation.

For communication with external parties, there is an explicit policy that contains guidelines for how this should be carried out. The purpose of the policy is to ensure that all information requirements are met in a complete and accurate manner.

Monitoring

The Board continuously monitors and evaluates the information provided by the management and audit committee. One area of particular importance for monitoring internal control is the work of the audit committee in evaluating the efficiency of the management's activities in this area. This includes ensuring that action is taken

with respect to the deficiencies and recommendations identified in external audits.

Monitoring of internal control will include audits of compliance with certain policies and guidelines, and will evaluate the effectiveness of significant control activities linked to risks for significant deficiencies in financial reporting.

Furthermore, the Board of Directors and audit committee have an annual process to ensure that appropriate measures are taken to address the shortcomings identified and measures recommended by the independent auditors.

Evaluation of the need for a separate internal audit function

At present, the Group has no separate internal audit function.

In view of the initiated process for performance of self-assessments and objective testing by an independent party, the Board of Directors has concluded that there is currently no need for a separate internal audit function in order to perform effective monitoring of internal control.

The Board of Directors



Board of Directors and auditors



Board of Directors from left: Linus Ekegren, Lena Grönedal, Birgitta Hillman, Lennart Bohlin, Birgitta Junland, Olof Svenfelt, Mikael Svenfelt, Ulrika Stuart Hamilton, Meg Tivéus, and Johan Hjertensson.

Members elected by the Annual General Meeting

Olof Svenfelt (Chairman)

Born: 1941, M.Sc.Eng. and LL.B. Chairman since 2008.

Elected to the Board: 25 August 2008.

Other assignments: Board member of Metoden Agenturer AB and Phlisa Metall AB. Board member and Managing Director of AB Malfors Promotor and AB Malfors Holding. Board member of Hjalmar Svenfelts Stiftelse, Wilhelm Stenhammars Stiftelse, Stiftelsen Hagdahlsakademien and Georg Hultners Stiftelse.

Previous assignments: Board member and Deputy Chairman of Cloetta Fazer AB. Deputy board member of Highland Group AB.

Shareholding in Cloetta: 10 class A shares and 408,020 class B shares.

Related party shareholdings in Cloetta: 2,358,864 class A shares and 8,485,455 class B shares.

Independent in relation to major shareholders: No

Independent in relation to the company and management: Yes

Lennart Bohlin

Born: 1942, MBA.

Elected to the Board: 5 November 2008.

Other assignments: Chairman of AB Anders Löfberg, CMA Research AB, Norins Ost AB, Redakliniken AB and Stjärnagg AB. Deputy chairman of IHM Business School AB and Östgöta Brandstodsbolag. Board member of Midelfart Sonesson AB (publ), Hamravik Group AB, Kuponginlösen AB, Löfbergs Lila AB, Sales Support Sweden AB and the Östergötland County Museum.

Previous assignments: Managing Director and CEO of Cloetta AB and Cloetta Fazer AB 1989–2002

Shareholding in Cloetta: 10,000 class B shares.

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Employee representatives

Lena Grönedal

Born: 1962.

Elected to the Board: 5 November 2008.

Employee representative, the Swedish Food Workers' Union (LIVS). Factory operative, Cloetta Sverige AB.

Shareholding in Cloetta: Convertibles corresponding to 5,032 class B shares.

Related party shareholdings in Cloetta: Convertibles corresponding to 5,032 class B shares.

Birgitta Hillman

Born: 1947.

Elected to the Board: 5 November 2008.

Employee representative, the Negotiation Cartel for Salaried Employees (PTK). Salaried employee, Cloetta Sverige AB.

Shareholding in Cloetta: 19 class B shares and convertibles corresponding to 5,032 class B shares.

Shareholdings at 31 August 2009.

Johan Hjertonsson

Born: 1968, MBA.

Elected to the Board: 5 November 2008.

Other assignments: Board member of AB Fagerhult and BRIO AB. Managing Director and CEO of AB Fagerhult.

Previous assignments: Managing Director and CEO of Lammhults Design Group AB and board member of Electrolux Filter AB.

Shareholding in Cloetta: 0.

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Ulrika Stuart Hamilton

Born: 1958, MBA.

Elected to the Board: 5 November 2008.

Other assignments: Deputy Managing Director of Entreprenörskapsforum. Board member of MittMedia Förvaltnings AB and Stiftelsen Pressorganisation. Board member and Chairman of Liberala Nyhetsbyrån AB.

Previous assignments: Senior positions in the Federation of Private Enterprises (Företagarna), the Centre for Business and Policy Studies (SNS), Gullers Grupp Informationsrådgivare AB, the Swedish Liberal Party and the Swedish Ministry of Finance. Former member of the Companies Act Committee, AB Vattenfall and Gullers Grupp Informationsrådgivare AB. Partner in Kluster Fokus Handelsbolag. Author of a number of publications on finance and politics.

Shareholding in Cloetta: 550 class B shares

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Employee deputies

Linus Ekegren

Born: 1975.

Elected to the Board: 5 November 2008.

Employee representative, the Swedish Food Workers' Union (LIVS). Factory operative, Cloetta Sverige AB.

Shareholding in Cloetta: Convertibles corresponding to 3,289 class B shares.

Birgitta Junland

Born: 1962.

Elected to the Board: 5 November 2008.

Employee representative, the Negotiation Cartel for Salaried Employees (PTK). Salaried employee, Cloetta Sverige AB.

Shareholding in Cloetta: Convertibles corresponding to 5,032 class B shares.

Mikael Svenfelt

Born: 1966, Marketing and business economist, various law studies.

Elected to the Board: 25 August 2008.

Other assignments: Deputy Managing Director of AB Malfors Promotor. Sales Manager of Nicator IT AB.

Previous assignments: Senior positions in Dell Financial Services, GE Capital Equipment Finance AB and Microage/ID-Network.

Shareholding in Cloetta: 5 class A shares and 7,507 class B shares.

Related party shareholdings in Cloetta: 2,619 class B shares.

Independent in relation to major shareholders: No

Independent in relation to the company and management: Yes

Meg Tivéus

Born: 1943, MBA.

Elected to the Board: 5 November 2008.

Other assignments: Board member of Swedish Match AB, Nordea Fonder AB, Billerud AB, Arkitektkopia AB, Meg Tivéus AB, IUC Sverige AB and Victoria Park AB. Board member and chairman of Frösunda LSS AB, Folkandvården, Stockholms Län AB and the non-profit organisation Swedish Spirits & Wine Suppliers Association (SVL).

Previous assignments: Managing Director of Svenska Spel AB. Deputy Managing Director of Posten AB, Board member of Cloetta Fazer AB, Orrefors Kosta Boda AB, Kungliga Operan AB and the Centre for Business and Policy Studies (SNS). Board member and chairman of BOSS MEDIA AB, Romateatern AB and Onside TV-Production AB.

Shareholding in Cloetta: 204 class B shares.

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Auditors

Auditor in Charge

Helene Willberg

Born: 1967.

Auditor for the company since 2007.

Authorised Public Accountant, KPMG AB.

Other auditing assignments: Nobia AB and Ortivus AB.

Deputy auditor

Joakim Thilstedt

Born: 1967.

Auditor for the company since 2007

Authorised Public Accountant, KPMG AB

Other assignments (selection): Auditor in Charge for Addtech AB and Lagercrantz AB.

Group Management Team



Curt Petri

Born: 1952.

Position: Managing Director and CEO since 2008, employed since 1990.

Education: MBA.

Other assignments: Board assignments in the Group.

Previous assignments in the past five years: CFO and Deputy Managing Director of Cloetta Fazer AB. Board member of Cloetta AB.

Shareholding in Cloetta: 1,681 class B shares and convertibles corresponding to 31,405 class B shares.

Related party shareholdings in Cloetta: 384 class B shares.



Eva Persson

Born: 1964.

Position: Commercial Director since 2008, employed since 2006.

Education: A number of courses in marketing, finance and leadership.

Other assignments: Board assignments in the Group and Managing Director of Cloetta Sverige AB. Board member of Thomas Persson Finans AB and Edita Oy. Deputy board member of Promessa AB. Partner in Eva and Thomas Persson Handelsbolag.

Previous assignments in the past five years: Marketing Director of Coca-Cola Drycker Sverige AB.

Shareholding in Cloetta: Convertibles corresponding to 31,405 class B shares.



Arto Almér

Born: 1965.

Position: Supply Chain Director since 2008, employed since 2003.

Education: MBA.

Other assignments: –

Previous assignments in the past five years: Purchasing Director of Cloetta Fazer AB and Purchasing Director of Cloetta Sverige AB.

Shareholding in Cloetta: Convertibles corresponding to 31,405 class B shares.



Kent Sandin

Born: 1957.

Position: CFO since 2008, employed since 2008.

Education: Stockholm School of Economics and a number of courses on finance and leadership.

Other assignments: Board assignments in the Group.

Previous assignments in the past five years: Board assignments in the Midelfart Sonesson group. CFO of Midelfart Sonesson AB and Finance Director of Cloetta Fazer AB.

Shareholding in Cloetta: Convertibles corresponding to 31,405 class B shares.



Christina Björck

Born: 1959.

Position: Head of Human Resources and Communications since 2008, employed since 2001.

Education: Social services with a focus on personnel administration and Communication. Executive Programme at the Stockholm School of Economics.

Other assignments: Sole proprietorship of CB Communication.

Previous assignments in the past five years: –

Shareholding in Cloetta: Convertibles corresponding to 31,405 class B shares.

Shareholdings at 31 August 2009.

Demerger of Cloetta Fazer

On 15 June 2008 the two principal shareholders AB Malfors Promotor and Oy Karl Fazer Ab announced a decision for the demerger of the Cloetta Fazer Group. At the Extraordinary General Meeting on 25 July 2008 the shareholders in Cloetta Fazer AB passed a decision in principle to approve the demerger, which resulted in the formation of the two freestanding companies Cloetta and Fazer Confectionery, which has become a division of the Fazer Group.

Formation of Cloetta

The Cloetta group was formed in July and August 2008, when all of the subsidiaries belonging to Cloetta under the Separation Agreement for the demerger of Cloetta Fazer were transferred to Cloetta. Cloetta Sverige AB was acquired by Cloetta through a non-cash issue on 25 July 2008 and AB Karamellpojka was acquired in cash on 29 August 2008. As part of the restructuring, Cloetta also acquired assets such as all of Cloetta Fazer's properties in Ljungsbro, equipment and the intellectual property rights to brands under the umbrella brands Cloetta and Karamellpojka in exchange for cash consideration.

Separation Agreement

On 15 June 2008 AB Malfors Promotor and Oy Karl Fazer Ab signed a Separation Agreement for the demerger of operations in Cloetta Fazer. The Board of Cloetta Fazer decided to carry out the demerger on the basis of this. The agreement stipulates the general principles for the demerger and the division of intellectual property, real properties, subsidiaries and other types of agreements between Cloetta and Fazer Confectionery. The costs for the legal processes between the principal shareholders preceding the demerger have not been charged to the company.

According to the Separation Agreement, Cloetta's net cash was to be settled in an amount of SEK 200 million at 31 August 2008 with a deduction for investments made in the chocolate moulding line in Ljungsbro as of the same date. This settlement took place through a dividend from Cloetta to Cloetta Fazer in an amount corresponding to the difference between the agreed and actual net cash. Furthermore, under the agreement Cloetta paid SEK 3.5 million for costs related to employee bonuses and received SEK 1.5 million in compensation for the cancelled production transfer of the Kismet chocolate product to the factory in Ljungsbro.

In addition, certain other payments were made between Cloetta and Fazer Confectionery at 31 October 2008 based on the Separation Agreement. As part of these payments, Cloetta received SEK 28 million to cover costs mainly attributable to staff redundancies and more than SEK 6 million related to forward exchange contracts in force. Cloetta and Fazer Confectionery also split total costs of SEK 3.5 million for the Stockholm office in the World Trade Center until 30 September 2009, when the lease expired, as well as costs for certain IT-related agreements.

Additional costs arising from the demerger

The demerger of Cloetta Fazer represented a major adjustment for Cloetta. Cloetta Fazer's Swedish operations were dimensioned for sales of both Cloetta and Fazer products. Cloetta sold Fazer's confectionery products in Sweden during a transitional period that ended on 31 December 2008, after which the sales cooperation was terminated and Cloetta's sales volume decreased by approximately 40%.

This led to a reduced need for staff in marketing, customer support, sales and administration, and contributed to the redundancy of some 60 employees in both white and blue collar positions at Cloetta Sverige AB. A number of the affected employees were offered positions in Fazer Confectionery's Swedish operations. In addition, individual agreements were signed with salaried employees and a number of blue collar jobs were cut. Until 31 March 2009, Cloetta and Fazer Confectionery operated a joint warehouse in Norrköping. The termination of this collaboration gave rise to the redundancy of some 10 employees.

The demerger of Cloetta Fazer also led to other restructuring charges, among other things for the establishment of a new organisation and a new corporate identity. As a result of redundancies and other restructuring measures, Cloetta's profit was burdened with restructuring charges of SEK 23 million during the financial year 2008/2009. These charges are recognised net after the payment of SEK 28 million from Fazer Confectionery on 31 October 2008.

Production agreement

Cloetta has a production collaboration with Fazer Confectionery that has been entered into on market-based terms. According to the production

agreement, until 31 March 2010 Cloetta will be Fazer Confectionery's sole supplier of the Fazer products that were manufactured at Cloetta's production facility in Ljungsbro prior to the demerger. In a corresponding manner, until 31 March 2010 Fazer Confectionery will be Cloetta's sole supplier of the Cloetta products that were manufactured at Fazer's production facilities in Finland prior to the demerger. The agreement regarding Cloetta's production of Fazer products accounts for SEK 130 million of Cloetta's total net sales, and is thus of material significance for Cloetta. The agreement, or individual product, can be terminated with nine months notice, albeit no earlier than 31 March 2010. Through an addendum to the agreement regarding Cloetta's production of Fazer products, Cloetta has a unilateral right to extend the exclusive production of certain Fazer products until 31 March 2011. The products covered by the extension right correspond to around 50% of the above-mentioned sales of SEK 130 million.

Distribution of shares in Cloetta¹⁾

As part of the demerger, the Annual General Meeting of Cloetta Fazer on 25 November 2008 resolved to approve the distribution of all shares in the wholly owned subsidiary Cloetta to the shareholders in Cloetta Fazer. The shares were distributed in proportion to each individual shareholder's existing holdings in Cloetta Fazer. Each share of class A in Cloetta Fazer AB entitled the holder to one new class A share in Cloetta AB and each share of class B in Cloetta Fazer AB entitled the holder to one new class B share in Cloetta AB.

After the distribution of the shares in Cloetta, the ownership structure has changed significantly due to Fazer's use of class B shares in Cloetta as consideration in the public tender offer made by Fazer to the shareholders in Fazer Konfektyr Service AB (former Cloetta Fazer AB (publ)). Fazer Konfektyr Service AB (publ) conducts, directly or indirectly, the Fazer-related operations previously conducted within the Cloetta Fazer Group.

After the changes in ownership, AB Malfors Promotor is the principal shareholder in Cloetta AB (publ). At 31 August 2009, Cloetta AB had 3,866 shareholders. The principal shareholder Malfors Promotor held 70.6% of the votes and 44.8% of the share capital. Other institutional investors held 17.5% of the votes and 32.8% of the share capital.

¹⁾ More information is provided in Cloetta's listing prospectus at www.cloetta.se