Cloetta

Annual and sustainability report 2020

Contents

The audited annual report for Cloetta AB (publ) 556308-8144 consists of the administration report and the accompanying financial statements on pages 1–4 and 69–145.

The sustainability report consists of pages 2-3, 5, 8-13, 14–27, 53, 59–62, 76-80, 85, 90, 156–162 and is limited assured by PwC. The definition of the statutory sustainability report can be found on page 75.

The annual report and sustainability report are published in Swedish and English. The Swedish version is the original.

Cloetta

– a leading confectionery company in Northern Europe.

FOUNDED IN **1862**

2,600 EMPLOYEES

SALES IN >**50** COUNTRIES

SUSTAINABILITY

7

ANNUAL SALES SEK **5.7** BILLION

CHOCOLATE

CANDY

PASTILLES

CHEWING GUM

PICK & MIX

NUTS

Our purpose

“We believe in the Power of True Joy”

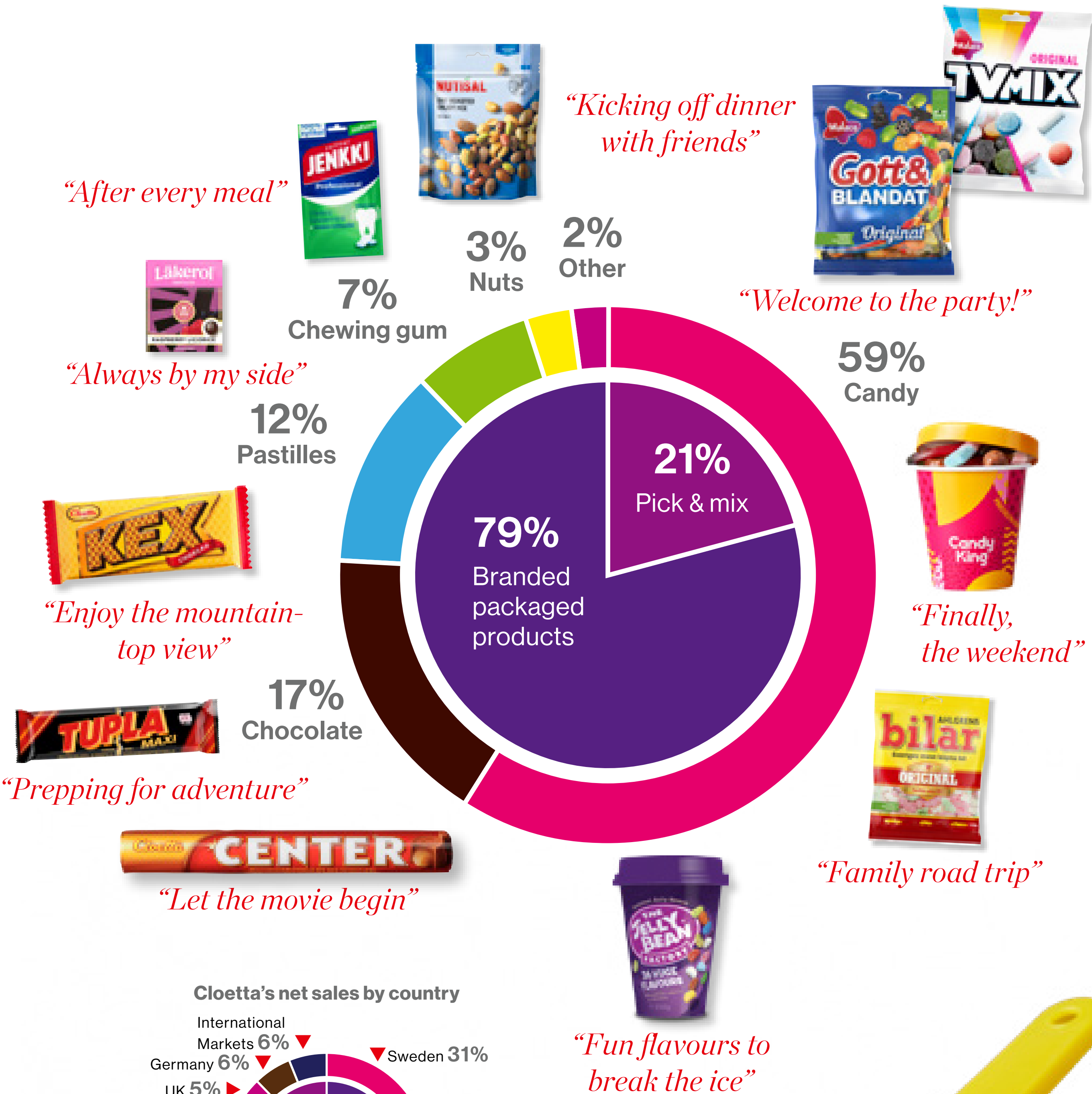
Cloetta’s purpose, strategies and goals express the company’s business idea.

Cloetta’s strengths

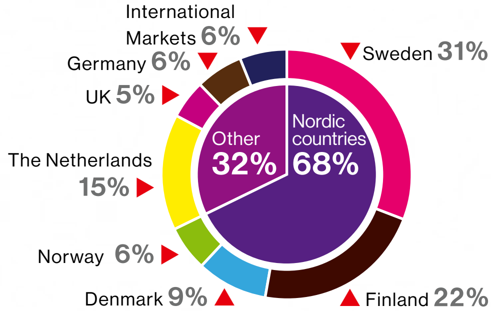
- *Strong leading local brands.*
- *Core markets in stable Northern Europe.*
- *Strong European leader in pick & mix.*
- *Scale benefits in Northern Europe versus local competition.*
- *Route-to-market scale in core markets.*
- *Locally tailored innovations.*

A joyful product portfolio

Cloetta's net sales by category



Cloetta's net sales by country



2020 in brief

Q1

- Nomination Committee proposes Mikael Norman as new Chairman of the Board.
- Cloetta withdraws dividend proposal due to Covid-19 uncertainty.
- New cross-functional Cash committee established.

Q2

- Cloetta introduces PlantPack, a plastic that is made partly from plants, suitable for confectionery packaging.
- Repositioning of CandyKing is rolled out.

Q3

- Cloetta decides to outsource the manufacturing of nuts to improve its competitiveness.
- Reorganisation in Sweden to increase the profitability of the market and drive operational improvements.
- The Board of Directors of Cloetta AB proposes new dividend for 2019.
- Cloetta joins the Science Based Targets initiative.

Q4

- Cloetta in the Netherlands ranked by MT 500 magazine as the top employer of all FMCG companies in the Netherlands.
- Dividend of SEK 0.50 per share approved by the EGM and is paid out.
- Läkerol Raspberry Licorice wins the award "Product of the Year" within the confectionery category.

Examples of new product launches during the year

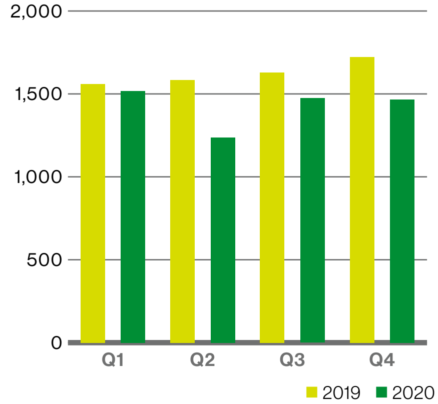
Key ratios

SEKm	2020	2019	2018	2017	2016
Net sales	5,695	6,493	6,218	5,784	5,107
Operating profit (EBIT), adjusted	515	743	677	604	695
Operating profit margin (EBIT margin), adjusted, %	9.0	11.4	10.9	10.4	13.6
Operating profit (EBIT)	462	727	660	527	635
Operating profit margin (EBIT margin), %	8.1	11.2	10.6	9.1	12.4
Profit before tax	403	648	562	443	469
Profit/loss for the period	281	498	483	–97	–191
Earnings per share, basic, SEK	0.98	1.74	1.69	–0.34	–0.67
Earnings per share, diluted, SEK	0.98	1.74	1.68	–0.34	–0.67
Net debt/EBITDA, x	2.7	2.2	2.3	2.4	2.4
Free cash flow	366	538	444	555	719
Cash flow from operating activities	656	724	628	712	889

For definitions, see page 164.

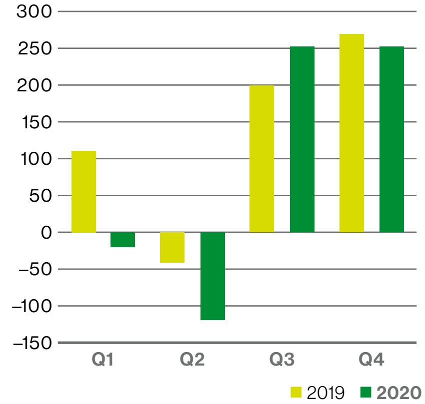
Net sales

SEKm



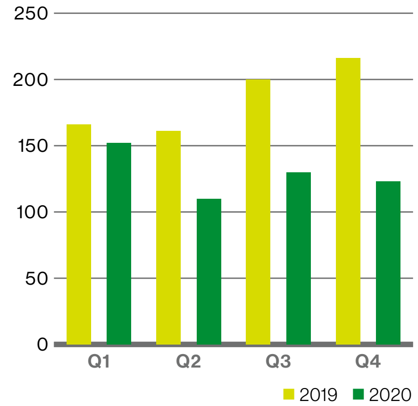
Free cash flow

SEKm



Operating profit, adjusted

SEKm



Continued focus on the future during a challenging year

2020 has been a challenging year for Cloetta. The Covid-19 pandemic has affected several of our sales channels and changed consumer behaviour, resulting in decreased sales and profitability. Despite this, we have delivered healthy cash flow and achieved a net debt/EBITDA that is in line with our long-term target.

Since the beginning of March, the Covid-19 pandemic has had a significant impact on our business. In this unique and challenging year, we have maintained business continuity while prioritising the health and safety of our employees, customers and consumers. Our ability to act swiftly and decisively, in combination with our strong brands and the resilient categories we work within, have enabled us to navigate through these testing market conditions while retaining our focus on the future.

For more information about how Cloetta has been affected by Covid-19, see page 6.

> "I am pleased that despite a difficult year we have continued to keep our sights on the future and kept up the momentum in pursuing our strategy."

Decreased sales and profitability

This year's net sales decreased by SEK 798m to SEK 5,695m (6,493) compared to last year, driven by lower sales of both branded packaged products and pick & mix as a consequence of Covid-19. Organic growth was –11.2 per cent and exchange rate differences was –1.1 per cent. Operating profit, adjusted for items affecting comparability, amounted to SEK 515m (743). The deterioration in the adjusted operating profit is due to the lower gross profit and increased marketing investments, partly mitigated by continued strong cost control and lower costs for incentive programs.

Net debt/EBITDA in line with target and increased dividend

I am pleased that for the fifth year in a row we have achieved a net debt/EBITDA that is in line with our target. Given our strong cash flow the Board proposes an increase in the ordinary dividend to SEK 0.75 (0.50) per share. This means that the average dividend for 2019 and 2020 combined is in line with our dividend policy. Our proposal takes the current market situation into account and prioritises a continued strong balance sheet.

New Sustainability Agenda

In 2020 we also made significant progress on sustainability. The Group Management Team worked together with Sustainability Affairs to update our Sustainability Agenda to reflect our new purpose – The Power of True Joy. The agenda reinforces our commitment as a participant of the UN Global Compact to contribute to the UN Sustainable Development Goals and implement the Ten Principles in human and labour rights, environment and anti-corruption.

With the new Sustainability Agenda we also raise our ambition levels of making a real difference. To mention a few initiatives launched during 2020; we joined the Science Based Targets initiative to combat climate change, we developed PlantPack to reduce our packaging carbon footprint, and we joined Rainforest Alliance in a pilot initiative to close the income gap for cocoa farmers. We track the progress monthly in the Group Management Team and share these updates with the extended leadership team. I feel proud of what we have accomplished so far and I look forward to what we can achieve in the years to come.

Strategic initiatives to support profitable growth

Our goal remains firm; to grow Cloetta organically, in line with or better than the market, and at the same time achieve an adjusted EBIT margin of at least 14 per cent.

I am pleased that despite a difficult year we have continued to keep our sights on the future and kept up the momentum in pursuing our strategy. In support of our growth agenda, we have increased our marketing investments in our brands whilst improving our media efficiency. We have actively worked to re-build the lost pick & mix volumes and simultaneously continued to implement new pricing. We have also accelerated several initiatives for long-term and short-term cost-savings and have substantially reduced indirect costs compared to last year.

Growth in branded packaged products

After two consecutive years of organic growth in branded packaged products, sales decreased in 2020 due to the effect of tough Covid-19 restrictions and related lockdowns.

During the year we have adjusted our marketing to reflect new patterns of media consumption. At the same time, we have increased investments in our strongest brands, which has enhanced our competitiveness for the future. We have also continued to drive marketing activities that are visible to the consumer. In addition to launching new flavours under major brands and further developing our less-sugar concept, progress in packaging development such as Plant-

Pack have enabled us to innovate and meet important consumer demands. We have also continued to focus on premium products and value creation during the year.

We will continue to drive profitable growth in branded packaged products and thereby generate a more favourable product mix for the organisation as the category has an EBIT margin of more than 14 per cent.

Sustainable profitability in the pick & mix business

Pick & mix is an important consumer market for us based on underlying consumer trends such as increasing individualism and less use of plastic packaging. The category is also of importance for our customers as it increases in-store traffic. Pick & mix is also of strategic importance for customer relations as it impacts our ability to sell other categories.

Since Covid-19 has had such a major impact on sales, our pick & mix business generated a negative EBIT of approximately SEK 135m in 2020. Rebuilding our volumes is critical for recovering the profitability in the business. To actively rebuild pick & mix volumes, we have successfully worked with our customers to ensure that the previously closed pick & mix fixtures remain open. The next step is to support our customers to fully reinstate consumer activation in the stores as the effects of the pandemic gradually ease. In 2021, we will accelerate the launch of the upgraded CandyKing offering, with increased emphasis on hygiene, to regain consumer confidence.

During the year we have also extended a number of pick & mix contracts to increase profitability and implemented many operational improvements in our pick & mix business. These measures give me confidence that we will be able to handle the challenges we currently face in the category.

Lower costs and greater efficiency

Several initiatives were carried out to reduce our costs and increase efficiency throughout the entire business during 2020. A reorganisation took place in Sweden aimed at increasing our profitability in the market and driving operational improvements. We also closed production in Helsingborg and outsourced nuts manufacturing to a third-party supplier. During 2020 we implemented the new system for demand forecasting and inventory optimisation in all markets and also closed our warehouse operations in Norrköping and merged them into the warehouse in Helsingborg. We are also continuously working to sharpen our product assortment by simplifying and reducing complexity.

Since 2019 our VIP+ cost program has enabled more than SEK 130m in reduced SG&A costs, half of which are one-off savings due to Covid-19 and lower volumes. We will continue our VIP+ cost program activities to improve our underlying cost structure.

High ambitions and a bright outlook for the future

By focusing on our core categories and main markets, as well as doubling sales in International Markets over time, we will grow at least at the same rate as the market. In addition to this, we may make selective acquisitions within our core categories in our main markets or in adjacent markets. In 2021 we will continue to pursue our strategy whilst adjusting our implementation plans to a constantly changing market environment.

Product development is one of the key drivers for the strength of our brands. Through enhanced innovation efforts we enable market innovation and create the conditions for new product launches and relaunches. E-commerce is another key area to address. Since confectionery is known to be an impulse-purchase category, online shopping presents us with both challenges and new opportunities. We are therefore constantly developing new marketing tools so that we get noticed and end up in consumers' online shopping carts. During the coming year we will also intensify efforts to integrate sustainability into our business operations as well as make the company even more consumer focused and cost efficient.

In spite of the challenges, Covid-19 has also demonstrated the many strengths of Cloetta. We have strong local brands that consumers desire and a supply chain that has continued to operate effectively. We have one of the best sales and logistics organisations in our main markets. We have experienced, competent and engaged employees who are proud of both our company and our products. And we are a profitable company that generates a stable cash flow that can be used for both dividend pay-outs and to further develop the company.

I therefore feel confident that we are well-equipped to get through this pandemic and come out stronger the other side, to the benefit of our customers, consumers, shareholders and employees.

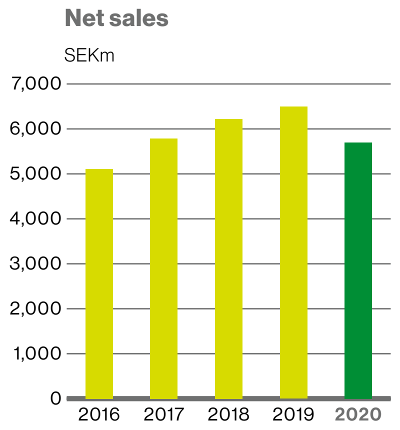
Stockholm, March 2021

Henri de Sauvage-Nolting
President and CEO

Long-term financial targets

Organic sales growth

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

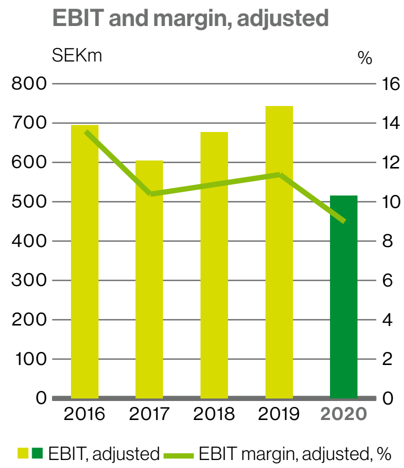


Comment on the year's outcome

Following the impact of Covid-19, organic growth was –11.2 per cent. Sales of branded packaged products decreased organically by –2.7 per cent, as an increased demand from grocery stores was more than offset by a decline in other sales channels that have either closed or seen a reduction in the number of shoppers. Sales of pick & mix declined organically by –33.7 per cent, driven by temporary measures taken by grocery stores, a lower demand from consumers and lower in-store activation.

EBIT margin

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

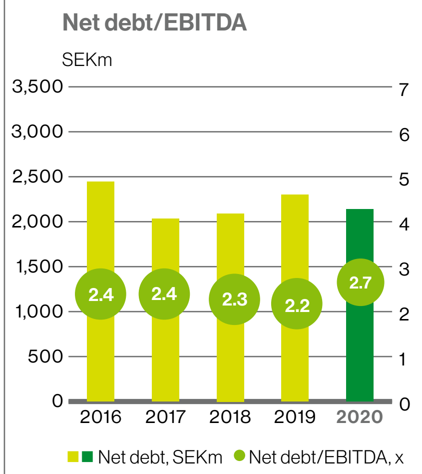


Comment on the year's outcome

The decrease in the adjusted EBIT margin was driven by a lower gross profit and increased marketing investments, partly mitigated by continued strong cost control.

Net debt

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



Comment on the year's outcome

Despite the Covid-19 situation, Cloetta managed to keep its Net debt/EBITDA ratio around the target of 2.5x.

Dividend policy

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

Comment on the year's outcome

The Board of Directors proposes a dividend of SEK 0.75 (0.50) per share for 2020, which corresponds to 77 per cent (29) of the profit for the year. This brings the average dividend for 2019 and 2020 combined within the dividend policy.

Sustainability targets 2020

The outcome related to Cloetta's sustainability targets for the period until 2020 is presented below. From 2021 our updated Sustainability Agenda will apply. Read more on pages 14–27.

(For You) Consumers

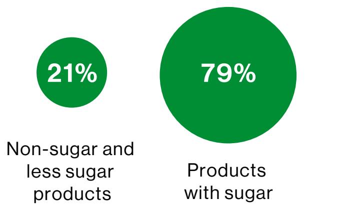
No artificial colours or flavours

Cloetta believes it is important to increase the proportion of non-artificial ingredients. Cloetta's target to switch the candy and pastilles portfolios to non-artificial colours and flavours (NAFNAC) by the end of 2020 has been extended to 2023. The date was extended to find viable solutions for the right texture and taste. Read more about ingredients on pages 19 and 34.

Comment 2020: Moved Red Band portfolio to NAFNAC and made progress toward non-artificially fruit-flavored candy.

Less sugar and sugar-free

Cloetta's larger brands will offer alternatives with less sugar, no added sugar or sugar-free products.

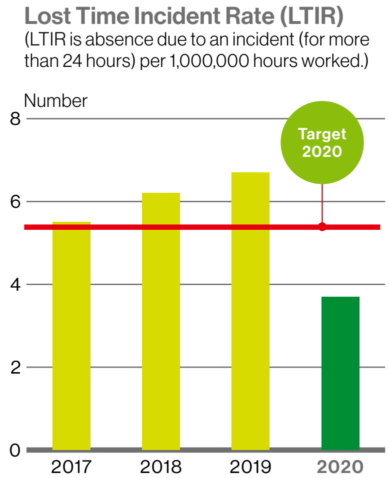


(For People) Employees

Employees

Cloetta has zero tolerance for occupational injuries. The LTIR target for 2020 was 5.4.

Comment 2020: During 2020 the outcome for our LTIR was 3,7. We exceeded our target thanks to increased focus and awareness around health and safety. Read more on page 61.



(For the Planet) Sustainable sourcing

Cocoa

All cocoa purchased by Cloetta in 2020 was UTZ/Rainforest Alliance certified.

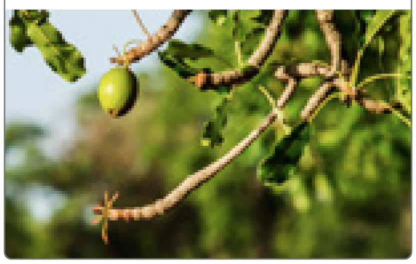
Palm oil

Cloetta has removed palm oil from most of its range. All palm oil in Cloetta's products is certified segregated according to RSPO (Round Table on Sustainable Palm Oil) and all factories using palm oil are also RSPO certified.

Shea butter

Cloetta purchased sustainable shea butter from AAK, supporting the Kolo Nafaso project to directly source and trace shea butter, and empower the women harvesting the shea nuts.

Read more about sustainable sourcing on pages 25–27.

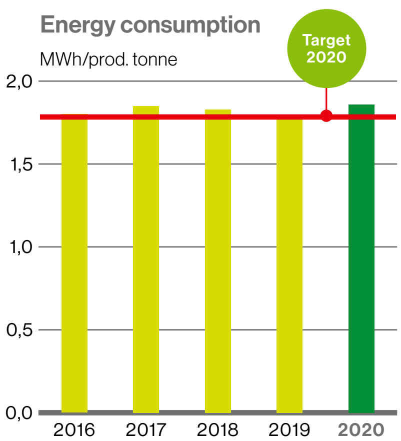


(For the Planet) Reduced climate and environmental impact

Energy consumption

Energy consumption per produced tonne to be reduced by 5 per cent by 2020, compared with 2014 levels.

Comment 2020: Despite lower total energy consumption, the energy intensity KPI increased due to lower production volumes.



Waste

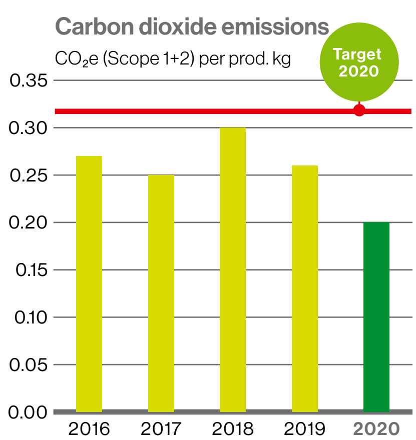
The volume of waste per produced tonne to be reduced by 25 per cent by 2020, compared with 2014 levels.

Comment 2020: Due to expanded definition of waste in accordance with the updated GRI guidelines as well as more detailed reporting from the factories, the amount of waste increased compared to previous years. Therefore, the figures are not comparable.

Carbon dioxide emissions

CO_2 emissions from production to be reduced by 5 per cent per produced kg by 2020, compared with 2014 levels.

Comment 2020: Thanks to the transition to green electricity in all factories, the target was met and exceeded, despite reduced production volume.



Impacts and responses to Covid-19

Following the outbreak of Covid-19 and the extraordinary societal measures taken to reduce the spread of the virus, people, communities and companies have found themselves in unprecedented circumstances for the majority of 2020.

Cloetta has taken different measures to mitigate the impacts of Covid-19, with the highest priority being the safety and well-being of our employees, customers and consumers. We have worked closely with business partners and local authorities to maintain business operations and to prepare for growth in the new reality.

As the pandemic is still active at the time of writing, we expect continued volatility and uncertainty as a result of Covid-19. However, we are convinced that our strategy, combined with our strong brands and market position, position us well to emerge stronger from the crisis.

Customers and consumers

The measures initiated by local authorities have had a major impact on our sales channels and consumer behaviours. While we have seen an increased demand for branded packaged goods from grocery stores and online sales, many of the sales channels have either been closed or had fewer shoppers for parts of the year. Additionally, we have seen lower sales of impulse purchases. Sales of pick & mix has been impacted negatively due to temporary measures taken by grocery stores and a lower demand from consumers.

To mitigate the impacts of Covid-19, Cloetta has adjusted its marketing costs in terms of media to reflect new patterns of consumption. During the year, we also launched the repositioning of CandyKing to generate sustainable profitability, while also working to re-gain consumer trust in the pick & mix category.

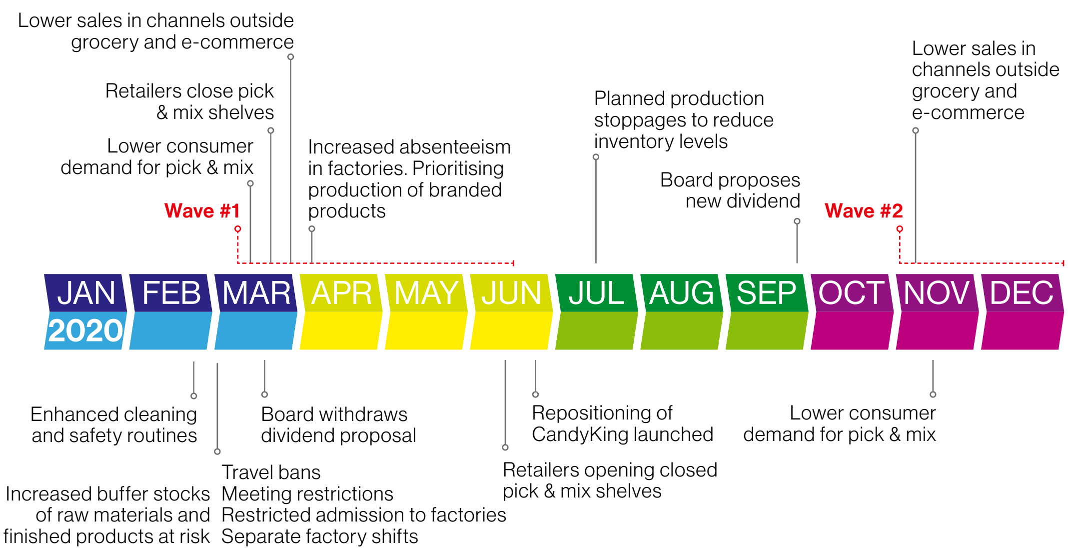
Employees and manufacturing

To ensure the health and safety of our employees and to secure delivery reliability, we took a number of precautions in relation to Covid-19. We introduced a travel ban and meeting restrictions, restricted access to our factories, and increased inventories of the most crucial raw materials and products. Furthermore, we enhanced our already strict hygiene and safety procedures across the entire value chain.

There was increased absenteeism amongst our factory employees for a while, but we mitigated the negative impact this had on our manufacturing capacity by prioritising the production of branded packaged goods. Due to the lower demand for pick & mix, a decision was also taken to furlough a limited number of employees in the pick & mix business for a period.

So far, we have avoided any material disruptions in our supply chain, and we have managed to maintain business continuity effectively.

Covid-19 timeline



Monthly organic sales growth, %	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Total	–3.9	2.7	–10.0	–25.4	–27.6	–10.1	–6.6	–10.7	–4.9	–11.9	–10.4	–14.7
Branded packaged products	–6.5	2.0	–2.9	–3.6	–16.6	1.5	–0.9	–0.4	4.1	–1.4	–3.4	–6.8
Pick & mix	3.8	4.4	–27.9	–70.5	–60.2	–41.1	–27.2	–37.1	–29.6	–38.5	–30.1	–38.4


Candy King
Life is sweet.

Strategic priorities

"We believe in the Power of True Joy". Cloetta's purpose is that our products play a positive part in adding that special touch to people's daily lives. When they savour Cloetta's products, people experience a moment of true joy. For us, the consumer always comes first in everything that we do. We are convinced that meeting consumer demands and expectations is how Cloetta will grow and our brands will flourish.

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

Thanks to our strong local brands, Cloetta is well positioned to respond to the growing trend of consumers demanding local brands.

Individualisation is another strong global trend. As the leading pick & mix player, this trend is in our favour as the category allows consumers to choose the mixture of candy that suits their individual preferences, every time. With the shift to e-commerce, retailers are also increasingly looking for products that can give consumers an experience in stores. This is something that the pick & mix category can offer.

Cloetta's goal is to grow organically by 1–2 per cent, which is in line with or better than the market. This would mean an organic growth of 1–2 per cent in our core markets of Sweden, Finland, the Netherlands, Denmark, Norway, Germany and the UK, as well as expanding and growing faster with selected brands in International Markets.

We will create the conditions for growth by building "One Cloetta" with a common agenda across the entire group.

Furthermore, a focus on cost-efficiency enables Cloetta to increase profitability and invest for the future. Investments are being made to strengthen and increase our manufacturing capacity, and to enhance the value of the company's most attractive brands. Our goal is to achieve an adjusted EBIT margin of at least 14 per cent.

Brands and customers

- Strengthen local brands and selectively expand brands internationally
- Focus on the core markets and double sales in International Markets
- Grow market shares and volumes in branded packaged products
- Grow the pick & mix value in core markets
- Offer consumers in all markets the choice of regular, less-sugar, or sugar-free products
- E-commerce channel focus
- Increase the support for leading brands
- Sustainability to come alive through brands

People and organisation

- Zero-tolerance for workplace accidents
- Create "One Cloetta" with one shared agenda and way of working
- Strengthen brand and category management
- Create a winning culture
- Develop, attract and retain skilled leaders and employees
- Educate employees through Cloetta academy

Cost and efficiency

- Drive cost-saving activities throughout the entire organisation within the Value Improvement Program Plus
- Further develop the "Perfect Factory", a Lean program in manufacturing
- Increase emphasis on efficiency through complexity reductions
- Improve the effectiveness of marketing, and internal systems and processes
- Improve cash management through cash committee

Strategic background

Since today's Cloetta was created in 2012 through the merger of Cloetta and Leaf, the Group has developed in several phases. Immediately after the merger, our focus was on streamlining the network of factories, which involved approx. 40 per cent of the products changing factories. At the same time, the implementation of the Group-wide business system commenced, which has enabled fact-based decision-making and allows orders to be traced from the customer through purchasing of raw materials, manufacturing, warehousing, delivery and invoicing. Implementation was concluded in 2020 with Germany as the final market.

Two large structural changes took place in 2017. First, Cloetta's Italian business was sold including several factories and a large number of brands, and second came the acquisition of Candyking, which made pick & mix an important part of the 's business.

Since 2018, Cloetta has focused on achieving organic growth with the customer front and center. This is how Cloetta will reach its financial goals.

Focus for 2020–2021

Cloetta will continue to create organic growth and generate a profitable pick & mix business by focusing on recovering the lost Covid-19 volumes, lower costs, greater efficiency and increased investments in marketing of the leading brands. Our long-term goal of at least 14 per cent adjusted EBIT margin will be achieved through three prioritised focus areas:

Focus on organic growth for branded packaged products

1
Organic growth for branded packaged products

We have a clear strategy for growth for branded packaged products which focuses on both the core operations and the group's strong brands. As branded packaged products have an adjusted EBIT margin of over 14 per cent at a Group level, growth within the branded packaged products category is important for Cloetta to be able to reach its profitability target.

Following eight consecutive quarters of growth, the branded packaged products category declined in 2020 as a result of Covid-19. While we have seen an increased demand on branded packaged products from grocery stores and e-commerce, a large part of the sales channels where we sell branded packaged products have either closed or had a reduction in the number of shoppers during parts of the year. We have also seen a negative product mix from a decline in impulse sales as well as lower sales of high-margin products such as chewing gum and pastilles.

Innovations and new products

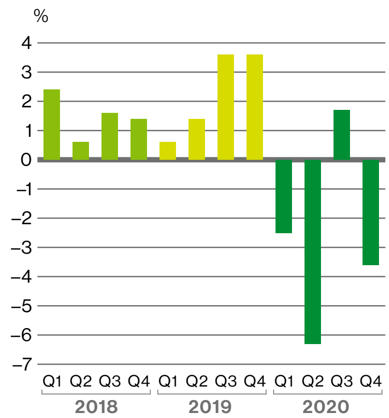
We have made fewer but larger investments in new products and flavours during the year. New products are needed for the confectionery sector as consumers expect brands to offer new experiences and opportunities to try new flavours and textures. New ingredients, flavours and packaging allow Cloetta's brands to valorise by delivering higher value to the consumer and the retail trade.

At Cloetta, we constantly strive to capitalise on scale and use new product and flavour developments that can be launched in several markets under different brands. Ultimately, with fewer but larger new product developments, the lead times from concept to final product on the market can be reduced significantly. Besides new flavour developments in key brands and further extensions within the less-sugar offering, packaging developments like our PlantPack have enabled Cloetta to innovate and deliver on key consumer needs.

Media investments

During the year we have increased the investments in our core brands, which has enhanced our competitiveness for the future. The "one-agency" approach fuelled by best-practice exchange led to media planning and buying optimisation, acceleration of digital marketing transformation and overall ROMI (return on marketing investment) maximisation. A robust ROI (return on investment) modelling was introduced in countries with the highest media spend to ensure further campaign media mix calibration. This has enabled our marketing organisation to build a new, more efficient way of working to allocate increased brand budgets.

Growth in branded packaged products,
change from previous year



IMPACTFUL CAMPAIGNS

Successful Godt & Blandet campaign across Scandinavia

In the fall of 2020, Denmark, Norway and Sweden, ran a huge campaign for the Godt & Blandet assortment. The campaign is based on an everyday situation, when a dad is cooking for the family while secretly snacking on Godt & Blandet. He is of course found out by one of the children, much to everyone's amusement. The campaign was rolled out through all relevant media channels; TV, online video and social media, combined with in-store displays and promotions.

Global brands

Focus on the pick & mix business

2 Pick & mix business, profitability and growth

Pick & mix is an important consumer market as it goes hand in hand with underlying consumer trends such as individualism and less use of plastic packaging. The category is also of importance for our customers as it increases in-store traffic. P&M is also of strategic importance for customer relations as it impacts our ability to sell other categories. As the leading confectionery company in the Nordic countries, Cloetta has good opportunities to develop the category and thereby drive profitability and growth.

During the year, the pick & mix sales declined organically by –33.7 per cent, driven by temporary measures taken by grocery stores, a lower demand from consumers and lower in-store activation. We are now focusing on activities to regain the consumer confidence at the same time as we are conducting price increases across our markets to build sustainable profitability in the pick & mix category.

Pick & mix recovery plan – short-term

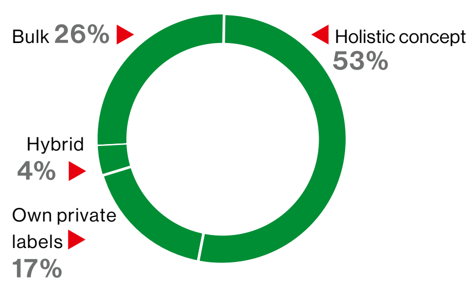
During the last two years we have accelerated margin enhancement activities which would have brought the Swedish pick & mix business to a break-even point by the end of 2020. This would have been a first step towards building sustainable profitability. However, given the significant volume loss due to Covid-19 the effect has been delayed by around one year. Furthermore, as Covid-19 has impacted sales significantly across all markets, and with the high share of fixed costs in the pick & mix business model, Cloetta's total pick & mix business generated a negative EBIT of approximately SEK 135m in 2020, compared to a profit in 2019.

Rebuilding our volumes is critical for recovering the profitability in pick & mix. To actively rebuild the volumes, we have successfully worked with our customers to ensure that the previously closed pick & mix fixtures remain open. The next step is to support our customers to fully reinstate consumer activation as the suppressing effect of the pandemic gradually eases. In 2021, we will accelerate the launch of the upgraded CandyKing offering, with increased emphasis on hygiene, to regain consumer confidence.

Increase growth in other markets – medium-term

Cloetta will continue to focus on creating profitable growth together with the retail trade. We offer a holistic concept including stands, bags and merchandising, both under Cloetta's name and under the customer's own name. Furthermore, we offer a hybrid service in which the customers themselves manage merchandising. In addition to our own pick & mix concepts we offer bulk sales to other concept suppliers enabling availability of Cloetta products and additional profitable sales.

Four business models



Cloetta offers customers four different pick & mix business models:

Holistic concept
- Includes branding, assortment, fixtures and in-store merchandising

Own private labels
- Similar to the holistic concept but products are sold under the retailer's own private brands

Hybrid
- In the hybrid model, the customer handles in-store merchandising themselves

Bulk
- Bulk sales to other pick & mix concepts or sales of individual products

Pick & mix recovery plan

5 Address residual under-absorption of fixed costs through cost control and insourcing

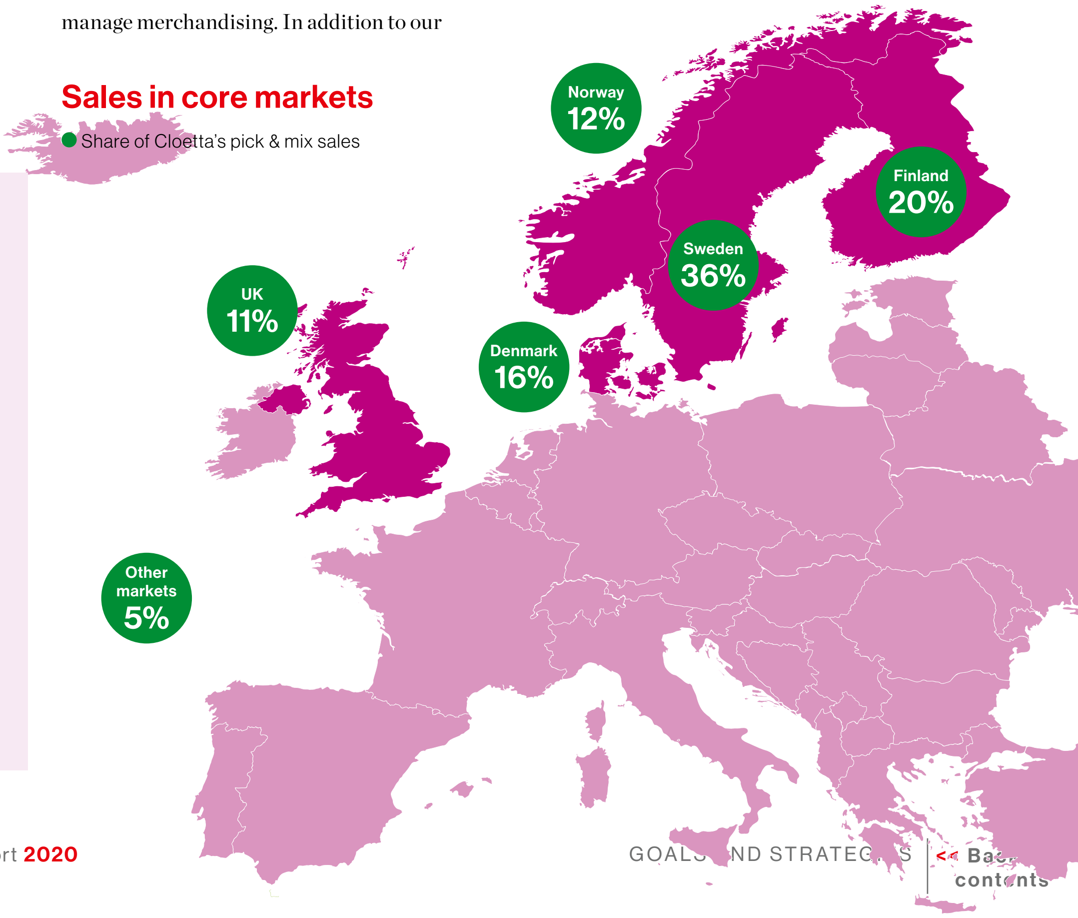
4 Build sustainable profitability

3 Regain consumer demand

2 Consumer activation

1 Open channels

Sales in core markets



Repositioning of CandyKing

Building a brand to drive premium pricing and experience

During the year, the repositioning of CandyKing was rolled out in selected stores aimed at building sustainable profitability, whilst adding additional activities to regain consumer confidence in the pick & mix category.

The new CandyKing is a premium concept and focuses on higher quality and a more attractive assortment with an increased emphasis on hygiene and tidiness. With social media and in-store activation as a part of the new concept, we also provide the customers with tangible solutions to increase the number of shoppers.

The new concept symbolises the variety and joy through the design, expression and activities over the year. It is a new brand identity that is brilliantly bold, invitingly joyful and seriously dedicated. The CandyKing design can be customised and adjusted depending on the country, channel, consumer, occasion and packaging solution.

A brand that embraces individualism; my mix, my favourites, yet reaching a broad target group. We enhance different occasions, enabling the feeling of a sweeter moment. Life is sweet with CandyKing.

360-degree activation with social media and in-store activations to interact and engage with the consumer and shopper before, during and after the store visit.

Higher quality, premium concept with a start & stop solution. Attractive merchandising and signage.

Focus on lower costs and greater efficiency

Cloetta needs to invest to continue to grow. This includes both increasing market investments for branded packaged products and also adapting to changing customer demand.

Perfect Factory Program

The "Perfect Factory" program was launched in 2019 and will run over several years. It is a systematic approach with tools, training, knowledge exchange and other improvement activities that generates greater efficiency and reduced waste per unit produced, which translates into lower costs and increased capacity. Increased resource effectiveness contributes to Cloetta's goal to reduce its negative impact on the environment.

The program is built on standardised tools, real-time measurement, process control and skilled employees. Essential investments in manufacturing are being carried out gradually to increase capacity and efficiency and to reduce carbon dioxide emissions.

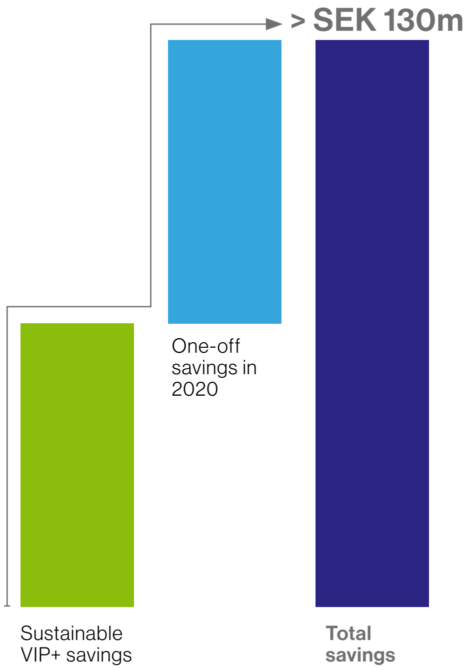
Value Improvement Program Plus

During 2020, Cloetta continued to drive its group-wide holistic program aimed at improving profitability, referred to as the Value Improvement Program Plus (VIP+). Part of the program focuses on optimising our cost structure. All indirect and marketing costs are being reviewed using industry-leading best practices and zero-based budgeting principles. Several activities are being driven in parallel within the scope of the program to improve profitability and provide flexibility for Cloetta to invest in its brands.

During the year, many initiatives were taken within the scope of the program. A reorganisation was initiated in Sweden to increase the profitability of the market and drive operational improvements. We also closed our nut manufacturing in Helsingborg and outsourced production to a third-party supplier. Furthermore, we continued to execute initiatives for sustainable cost savings and temporary cost avoidances, delivering substantially reduced indirect costs compared to the prior year.

Since 2019, the VIP+ cost program has enabled more than SEK 130m in reduced SG&A costs, half of which are one-off savings due to Covid-19 and lower volumes. Approximately SEK 30m of the cost savings has been reinvested into strengthening our brands and marketing capabilities. We will continue to drive our VIP+ cost program in 2021 to improve our underlying cost structure.

Significant savings from the VIP+ cost program



Since 2019 the VIP+ cost program has enabled more than SEK 130m in reduced S, G &A costs, half of which are one-off savings due to Covid-19 and lower volumes.

Our Sustainability Agenda

Our Sustainability Agenda is built on three pillars that support our overall mission – delivering true joy for you, for people and for the planet. These three pillars represent important areas in our value chain where we have the ability and the responsibility to create a positive impact.

1 For you

Significance:
Consumers are at the heart of our business. We provide consumers with high quality and safe products, sustainable ingredients and healthy options.

Approach:
We offer a wide variety of products, so that consumers can find options that correspond to their preferences, such as low sugar, sugar-free and vegan alternatives.

Goal

Significant goals:

- **By 2023 our candy and pastilles will be 100% flavoured and coloured by non-artificial sources.**

2 For people

Significance:
Taking care of the people involved in making our products – from farmers to factory staff, as well as the communities where we operate – is critical to our success.

Approach:
We take care of our employees, we strengthen our partnerships with suppliers, engage with organisations to support farmers, and we take responsibility for our role in our communities and greater society.

Goal

Significant goals:

- **Zero accidents.**
- **100% Rainforest Alliance certified cocoa.**
- **100% RSPO certified segregated palm oil.**
- **Living income paid to farmers in our supply chain.**

3 For the planet

Significance:
Improving our total planet footprint throughout the value chain is vital for future generations and essential for our company's future.

Approach:
We have defined three key areas in order to achieve this overarching goal:

- Climate action by committing to the Science Based Targets Initiative
- Sustainable sourcing by promoting sustainable practices in our supply chain
- Better resource use by developing sustainable packaging and reducing waste.

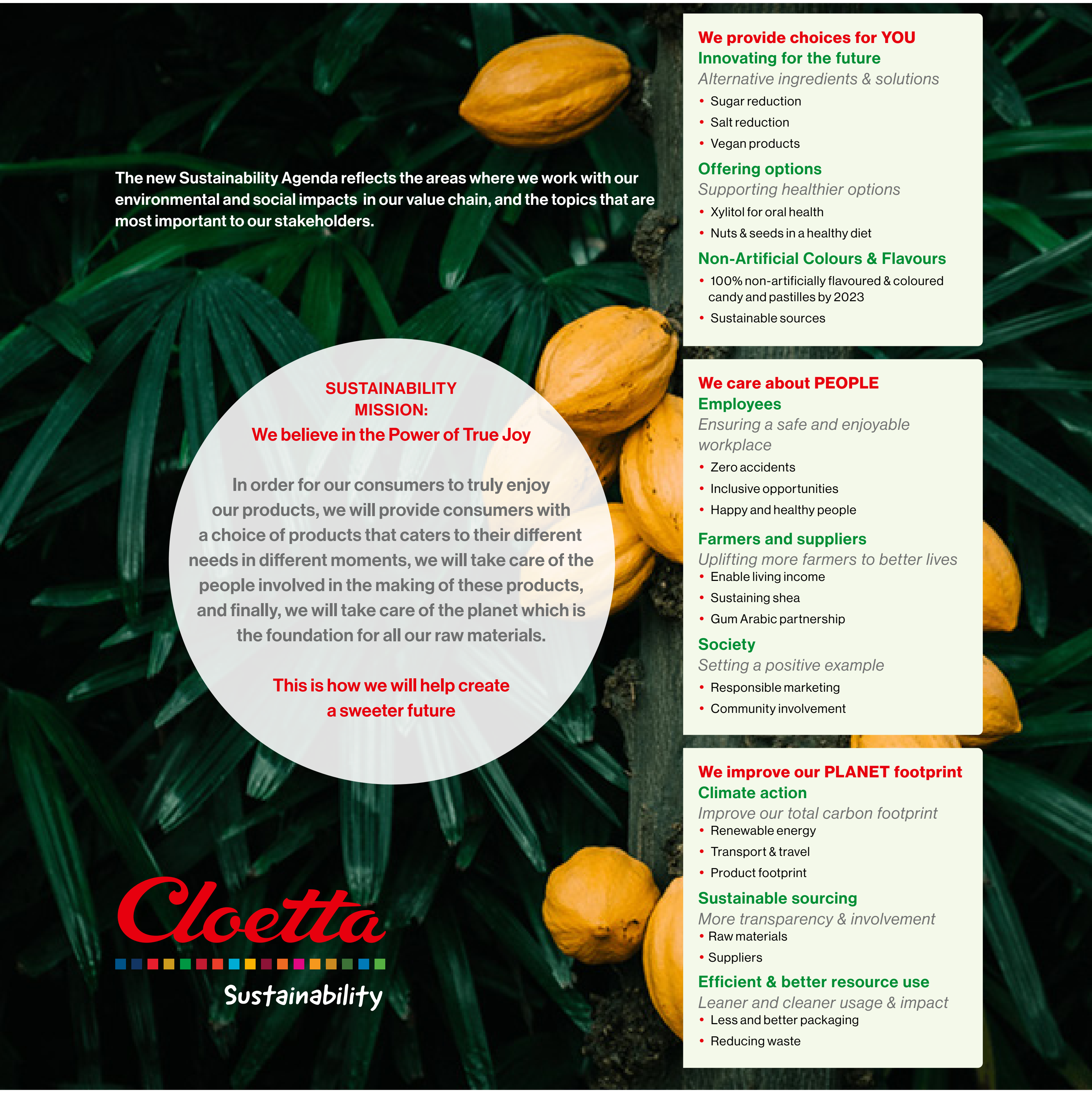
Goal

Significant goals:

- **Develop science-based climate targets for 2025/2030.**
- **Engage key suppliers in sustainability sourcing program.**
- **100% of our packaging is recyclable by 2025.**
- **100% of packaging from renewable or recycled sources by 2030.**

Our sustainability initiatives

Sustainability is integrated into the core of our business, our mission connects to Cloetta's purpose, and the progress of our initiatives raises our ambition to create a sweeter future.



The new Sustainability Agenda reflects the areas where we work with our environmental and social impacts in our value chain, and the topics that are most important to our stakeholders.

SUSTAINABILITY MISSION:
We believe in the Power of True Joy

In order for our consumers to truly enjoy our products, we will provide consumers with a choice of products that caters to their different needs in different moments, we will take care of the people involved in the making of these products, and finally, we will take care of the planet which is the foundation for all our raw materials.

This is how we will help create a sweeter future

Cloetta
Sustainability

We provide choices for YOU

Innovating for the future

Alternative ingredients & solutions

- Sugar reduction
- Salt reduction
- Vegan products

Offering options

Supporting healthier options

- Xylitol for oral health
- Nuts & seeds in a healthy diet

Non-Artificial Colours & Flavours

- 100% non-artificially flavoured & coloured candy and pastilles by 2023
- Sustainable sources

We care about PEOPLE

Employees

Ensuring a safe and enjoyable workplace

- Zero accidents
- Inclusive opportunities
- Happy and healthy people

Farmers and suppliers

Uplifting more farmers to better lives

- Enable living income
- Sustaining shea
- Gum Arabic partnership

Society

Setting a positive example

- Responsible marketing
- Community involvement

We improve our PLANET footprint

Climate action

Improve our total carbon footprint

- Renewable energy
- Transport & travel
- Product footprint

Sustainable sourcing

More transparency & involvement

- Raw materials
- Suppliers

Efficient & better resource use

Leaner and cleaner usage & impact

- Less and better packaging
- Reducing waste

Cloetta's value chain

Cloetta creates value through our purpose
"We believe in the Power of True Joy".

Cloetta creates value for the company and its stakeholders through great products, innovative product development, efficient purchasing and high-quality manufacturing, as well as good relations with the retail trade, and marketing that strengthens our brands.

Value creation

1 Product development

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

2 Purchasing

- Cloetta's total purchasing costs amounted to SEK 3,558m during the year, of which SEK 2,224m was for raw materials and consumables. The three main raw materials in terms of purchasing costs are sugar, cocoa and gelatin.

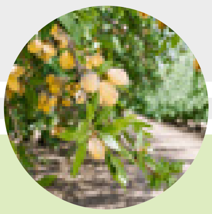
3 Manufacturing

- Cloetta had 2,653 employees during 2020 and total personnel costs amounted to SEK 1,387m. Cloetta's factories had 1,615 employees.
- During the year, Cloetta produced 97 thousand tonnes of candy, chocolate, chewing gum, pastilles and nuts.

Sustainable corporate development

Innovation for the Future

- Innovating for the future is a key success factor in order for Cloetta to stay in tune with consumers' changing demands.
- We develop lower-sugar or sugar-free alternatives for our major brands. Options that support health can be found in the nut portfolio as well as in the xylitol offering.
- Cloetta has prioritised increasing the proportion of natural ingredients in our products. Our goal is for our candy and pastille portfolio to be fully free from artificial flavourings and artificial colourants by 2023.



Suppliers

- Cloetta's suppliers are approved and monitored against criteria for product safety, quality, health & safety and sustainability. A new and updated Supplier Code of Conduct was developed in 2020 which will be implemented during 2021.
- By working closely with our suppliers on improving sustainability performance, we help to safeguard future access to raw materials while improving the livelihoods of farmers and their communities. Cloetta promotes sustainable agriculture and manufacturing of prioritised raw materials such as cocoa, palm oil and shea butter.

Read more on pages 21–26.

Environment

- Continuous improvements enable more efficient energy consumption in manufacturing which improves our carbon footprint and saves costs.
- Increased resource efficiency through reduced waste.
- Systematic environmental management is implemented throughout operations.

Workplace health and safety

- Focus on leadership, management of workplace environment risks and reduction of occupational incidents.
- Health and safety is driven in a systematic way of working and is part of daily follow-up and control.

Product safety

- All factories have a product safety system.
- The factories work pro-actively with product safety and quality to ensure more satisfied customers and fewer product complaints.

Profit for the year SEK 281m

4 Customers

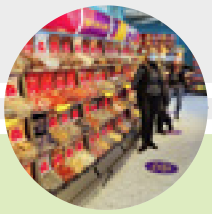
- Total net sales amounted to SEK 5,695m. Cloetta's largest customer category is the grocery retail trade. The service trade is also a very important customer group.

Cooperate for sustainability

- Cloetta fulfils environmental and food safety requirements, for example through BRC and ISO certification.
- The retail sector is taking responsibility for the climate and environment. By joining the Science Based Target initiative, we will be in a position to help our customers reach their climate targets.
- Cloetta is reducing the amount of transportation packaging and optimising transportation to improve our financial and environmental performance.

5 Consumers

- Cloetta believes in "The Power of True Joy" in that our products give that special touch to people's daily life. We provide strong brands and a large range of pick & mix products.
- Cloetta always provides feedback on complaints and points of view.



Consumer centric

- Our Sustainability Agenda focuses both on the consumers' enjoyment of our products and that they are produced with care for people and planet.
- Cloetta provides high-quality products that are marketed responsibly.
- Consumers are offered a wide range of products with non-artifical flavourings and colourants.
- Cloetta improves packaging solutions for less environmental impact.

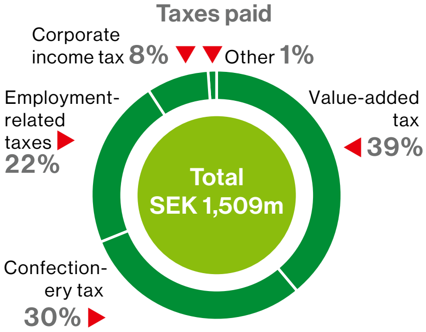
Shareholders

A certain portion of non-restricted equity is distributed to Cloetta's shareholders in the form of dividends, after the business has been provided with the capital necessary for continued development. For 2020 the Board of Directors has proposed a dividend of SEK 0.75 per share, which corresponds to approx. 77 per cent of the profit for 2020, to be paid in 2021. In 2020, SEK 144m was distributed to the shareholders through dividend distribution.

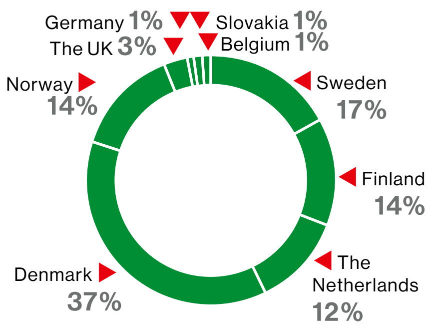
Tax information

In accordance with our values, it is important to address and transparently disclose relevant information related to taxes. Our intention is to pay taxes in accordance with international and local legislation in the countries were Cloetta is operational. Cloetta paid SEK 1,509m (1,464) in various taxes in 2020. These were mainly value-added tax, sugar tax and employment-related taxes. The difference between corporate income tax paid and the income tax charge for the year is mainly driven by timing differences.

Taxes paid

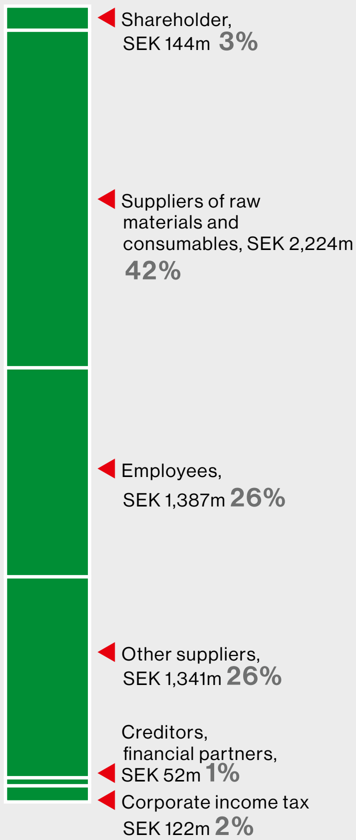


Tax paid per country



Tax paid in Norway and Denmark is proportionally higher due to sugar taxes.

Distributed value SEK 5,270m*



* Generated value of SEK 5,695m excluding profit for the year, amortisation, depreciation and impairments and including paid dividends. Total retained economic value of SEK 425m.

Economic impact

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

The power of true joy ...for our future

There's a present need for true joy for our planet, our society and our consumers. We've faced a year that has posed challenges, tragedies, and new norms, all while reinforcing the importance of the aims of our new Sustainability Agenda. The Sustainability Agenda reflects the issues that are the most important to our stakeholders and areas where we have the most ability to make an impact.

In 2020, we started several new initiatives, which is why all targets and KPIs aren't clarified yet. These are developed with a strategic future focus, aligned with our business strategy and our commitment to the Global Sustainable Development Goals. Our initiatives are actively owned by Group Management and will be assessed annually based on the materiality analysis. The following pages describe the three sustainability pillars and how we believe in the power of true joy for you, for people and for the planet.

Global Sustainable Development Goals

As a participant of the United Nations Global Compact since 2009, we support the Sustainable Development Goals (SDGs).

Cloetta's Sustainability Agenda focuses on six of the 17 UN Global Sustainable Development Goals.

Each pillar of our new Sustainability Agenda contributes to at least one of the SDGs, both directly and indirectly. We've prioritised these six goals where our business has the greatest ability to impact and influence change.

As a fast-moving consumer goods business, we have an important role in promoting Responsible Consumption and Production (#12).

Gender Equality (#5) and Decent Work and Economic Growth (#8) are central to our For People pillar, working with our employees, supply chain and society. Climate Action (#13) and Life on Land (#15) are supported by our For the Planet initiatives. Partnerships for the Goals (#17) is the common theme enabling all of our efforts with the help of our partners and suppliers.

The Stockholm Resilience Centre's "Wedding Cake", illustrated below, visually portrays the goals as the environmental base, holding up the societal and economic goals, and with the common theme of partnerships throughout (the wedding couple). This representation resonates with how we as a business have an active role in the economic and social goals, but sustainably managing our planet's resources is fundamental for our business. Our social and economic goals will be unattainable in the future if we do not do our part to combat climate change and take responsibility for our actions now.

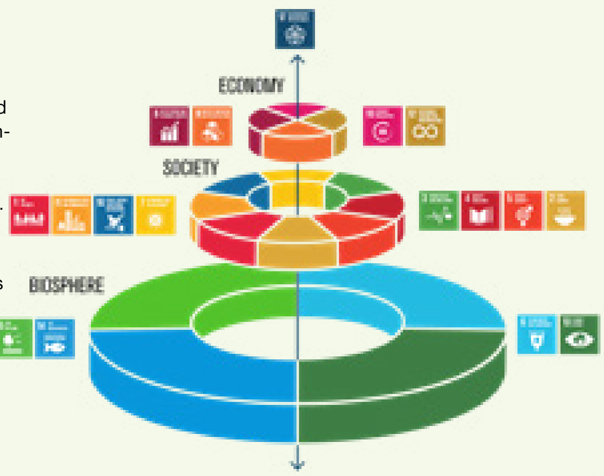
5. Gender Equality
8. Decent Work and Economic Growth
12. Responsible Consumption and Production
13. Climate Action
15. Life on Land
17. Partnerships for the Goals

Sustainability supports our business strategy

Cloetta's Sustainability Agenda supports and is well embedded in the company's business strategy.

- **Brands and customers.** Through innovative, sustainable products and packaging we are responding to consumers' increased awareness about social and environmental issues. We source sustainable raw materials to further strengthen our brands among customers and consumers. UTZ/Rainforest Alliance certified cocoa is one example. By committing to the Science Based Targets Initiative we join our customers in a common effort to take on the climate crisis.
- **People and organisation.** Cloetta enables growth by creating an attractive workplace and a high-performing organisation. We offer our employees attractive opportunities to grow as well as competitive remuneration. Cloetta's inspiring corporate culture and clear corporate identity also enable growth. Having a strong sustainability program helps to build pride in our workforce.
- **Cost and efficiency.** Reducing our environmental impact often goes hand in hand with lower costs. As an example, when the factories reduce energy consumption and minimise waste this contributes to greater cost-efficiency. Streamlining and centralising management systems for health and safety and the environment will improve our performance even further.

For more information about Cloetta's business strategy, see pages 8–9.



For you

1

For you

Consumers are always at the centre of what we do. Cloetta offers high-quality and safe products, serving the diverse universe with a variety of preferences.

The first pillar of our Sustainability Agenda is grounded in the purpose of our business. When our consumers trust that we conduct our business responsibly, they can truly enjoy our products.

Responsible Consumption and Production is the core SDG for everything we do at Cloetta. We take responsibility for product quality and food safety, we source sustainable ingredients and we provide options that consider consumers' health. During 2020, we focused on three areas in the For You pillar: Innovating for the future, Offering options, and Non-artificial flavours & colours.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Innovating for the future

Developing alternatives with:

- Less sugar, no added sugar, or sugar-free
- Reduced salt or no salt
- Vegan choices: substituting gelatin and milk-based ingredients

Offering options

Our product offering responds to a diverse universe

- Xylitol products support oral health
- Nuts and seeds in a healthy diet
- Varied portion & packaging sizes

NAFNAC (Non-artificial flavours and colours)

Our goal is to have all candy and pastilles flavoured and coloured by non-artificial sources by 2023

- Moving to more natural ingredients in fruit flavoured candy
- Nuts and chocolate in the pipeline

Risks we consider

- Brand-related risks resulting in decreased sales
- Political decisions such as sugar taxes
- Risk of changing consumer dietary preferences, with negative consequences for Cloetta
- Potential new risks from the substitution of different ingredients

Oral Health: Healthier smiles

Cloetta has been a pioneer in commercialising the dental benefits of xylitol products since the 1970's.

BENEFITS: Reduces plaque & risk of tooth decay*.

EFFECTIVE PARTNERSHIPS: Close co-operation with researchers, dentists and dental hygienists.

PART OF DAILY NUTRITION RECOMMENDATION: Up to 90 per cent of Finnish daycare centres provide xylitol pastilles after meals.

GIVING BACK TO THE COMMUNITY: Cloetta Finland hosts yearly activities to keep dental health and xylitol top-of-mind.

SWEET SUCCESS: A functional alternative that promotes fresh and healthy smiles.

* Chewing gum sweetened with 100% xylitol has been shown to reduce dental plaque. High content of dental plaque is a risk factor in the development of caries in children.

Choice for you

True joy does not look the same for everyone, which is why we aim to provide alternatives to our classic favourites. For example, the 30% less sugar alternative in Malaco's Gott & Blandat has been well received in Sweden.

During 2020 we developed options without gelatin or milk-based ingredients to cater to our vegan consumers, for example vegan Kexchoklad. We will continue to listen to consumer preferences as we innovate new products.

We're nuts about nuts!

Our nut profile is moving towards natural flavours, sustainable sources, reduced or no salt and recyclable packaging.

During 2020 we reduced salt in the entire Nutisal portfolio. Nuts and seeds make the perfect satisfying snack in a healthy diet, with Parrots and Nutisal products offering a wide selection. Nuts are a natural source of different vitamins and minerals and they also contain antioxidants.

2

For people

For people

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

Ensuring the safety and well-being of the above stakeholder groups also ensures our ability to create a sweeter future for generations to come.

Relevant SDGs are 5, 8, 12 & 17. Gender equality (5) is important in our own operations as well as in our supply chain – one great example is our Sustaining Shea program. Decent work and economic growth (8) is exemplified with our Living Income Pilot. Both of these are examples of great partnerships (17) and also for being responsible (12) which is also exemplified with our responsible marketing practices.

Employees

Our employees are critical to making any of our goals a reality. Initiatives involving our employees address areas that we consider essential for a meaningful, creative and joyful work environment. The programs are in place within our HR organisation and aims to ensure happy and healthy employees throughout their journey in Cloetta. Read more about Cloetta's Employee Journey on page 59. Areas covered include competence development, equality and diversity, non-discrimination, parental leave and mental health advice and the well-being initiative Cloetta Energy (read more on pages 60–61).

Our whistle-blower program also allows employees to communicate anonymously when there have been instances of discrimination or other injustices. For many years now we measure our employee engagement through employee surveys.

A safe and healthy workplace is fundamental to our employees well-being. Read more about our approach to health & safety on page 61.

Raw material suppliers

Our partnerships with NGO's and suppliers help us reach the people growing the raw materials. In this very first part of our value chain is where both social and environmental issues are most pertinent, such as child labour, gender equality, biodiversity and the effects of climate change. We prioritise efforts where we can influence real change: enabling living income for cocoa farmers and empowering women who are harvesting shea in West Africa.

Society

We practice responsible marketing across all our markets by following the guidelines from the EU Pledge initiative regarding marketing towards children. We create joyful and meaningful moments with our community involvement, meeting different needs and deepening our relationships and connections within our local communities.

Risks we consider

- Workplace incidents and accidents and lack of employee well-being
- Inability to recruit and retain the right employees
- Breaches of human and labour rights in the supply chain

Enabling living income

Bridging the gap for cocoa farmers: The Living Income Module Project

Approximately 87 per cent of cocoa growing households earn less than a living income in the Ivory Coast, a country producing much of the world's cocoa. Building better livelihoods for farmers is critical to create a world where people and nature thrive together.

Innovative collaboration

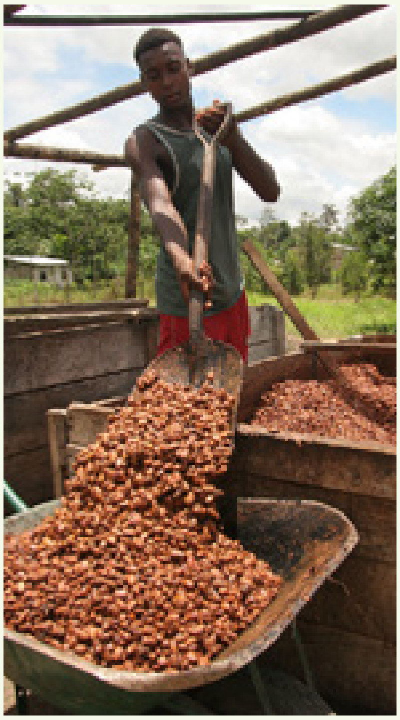
Cloetta is participating in a two-year pilot project driven by the Rainforest Alliance, to test a tool that helps companies pay the living income gap directly to cocoa farmers.

Direct payments to farmers

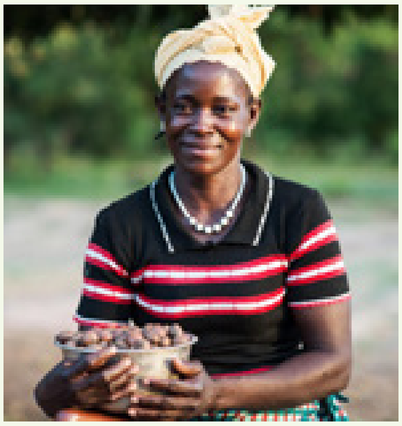
This tool will use block-chain technology for transparency and traceability on the Farmer Connect platform. With the tool we can calculate, send and track payments going straight to the farmer. This is one way we hope to create thriving rural communities for the farmers, helping to alleviate poverty and thus reduce the occurrence of child labour as well as improved environmental agricultural methods.

Increasing transparency & value

The Rainforest Alliance's Living Income Module Project addresses two problems: the low income of farmers and the value distribution in the cocoa supply chain. Through this tool we'll test new solutions to these challenges. First, by providing a direct transfer option to adjust the cocoa farmers' income. Second, by enabling companies to trace their progress in eradicating the living income gap. Read more about the project at www.rainforest-alliance.org.



Sustaining Shea



Since 2017 Cloetta has been collaborating with AAK (a supplier of oil and fat solutions) to promote sustainable shea butter. AAK has a sustainability program in Burkina Faso, Ghana, and the Ivory Coast, called Kolo Nafaso. The aim is to directly source and trace shea kernels, while empowering the women sourcing the shea nuts in rural areas.

Kolo Nafaso

AAK runs a program office for sustainable shea kernels in Ghana. The basic principle of the program is to establish a direct trade relationship with the women in rural areas that collect shea nuts. Traditionally, the supply chain would contain a series of intermediaries dominated by men.

AAK helps the women to organise themselves into producer groups and trains them in business management and in good post-harvest practices.

Exponential impact

The main advantage for the women is a higher return, as they are paid the same price that AAK would otherwise have paid to the intermediaries. It is also a guaranteed outlet for all of their shea kernels. The advantage for AAK and Cloetta is a more secure, transparent and sustainable supply chain with increased opportunities to impact the quality of the shea kernels. Another important benefit for the women is the possibility of obtaining advance payments. At the beginning of the season, AAK extension officers visit the producer groups to discuss the women's outlook for the season. Part of the volume is then pre-financed and the women are paid this money at a time of the year when they have little or no other income. It is also a guarantee that AAK will return and buy all their shea kernels.

The program has been running since 2009 in Burkina Faso and since 2015 in Ghana and the Ivory Coast. More than 230,000 women are involved in the program, which has had a major impact on the lives of the many women and their families.

Global Shea Alliance

Shea butter as a raw material offers many opportunities for partnership across industries to inspire change, gender equality and sustainable production. As members of the Global Shea Alliance, we support projects and partnerships that improve the shea supply chain.

Responsible marketing

In line with SDG 12, Responsible Consumption and Production, we aim to be transparent with the contents in our products and the impact they have, and promote responsible consumption.

Responsible marketing means that we only advertise products meeting basic nutrition standards to children under age 12. One such example is our xylitol portfolio that supports children's dental health.

3

For the planet

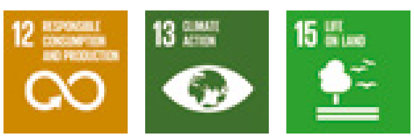
For the planet

As a food company, our business is strongly dependent on natural resources and the state of the environment.

Our responsibility for the environment extends throughout our value chain – from the fields where our raw materials grow, to our own operations and all the way to our customers and consumers.

The global food system is under pressure

The global food system is facing considerable challenges as the basic conditions for the cultivation of food are affected by climate change, biodiversity loss, lower soil fertility and water stress. At the same time, today's food production is responsible for making matters worse. Agriculture and forestry accounts for a major share of global greenhouse gas emissions, it accounts for two thirds of all fresh water used in the world and it is a major cause of soil degradation, deforestation and loss of biodiversity. Transforming the global food system is therefore a critical factor to solve the sustainability challenges ahead and Cloetta is committed to do our part and contribute to a more sustainable future.



The new Sustainability Agenda – For the planet

The third pillar in our new Sustainability Agenda, For the planet, marks a re-commitment to consider environmental aspects in our business decisions and daily activities, as well as a raised ambition to improve our total planet footprint throughout our value chain.

As described on pages 14–15, the environmentally related Sustainable Development Goals (SDGs) form the foundation upon which the social and economic related SDGs are dependent. Therefore, improving our environmental performance will also help us to meet other objectives in our Sustainability Agenda. The three most relevant SDGs for this pillar are Responsible Consumption and Production (12), Climate Action (13) and Life on Land (15).

Risks we consider

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

We have defined three key areas in order to achieve this overarching objective;

a) Climate action by committing to the Science Based Targets Initiative,
b) Sustainable sourcing by promoting sustainable practices in our supply chain,
c) Better resource use by driving sustainable innovation in product and packaging development and using resources even more efficiently in our own operations.

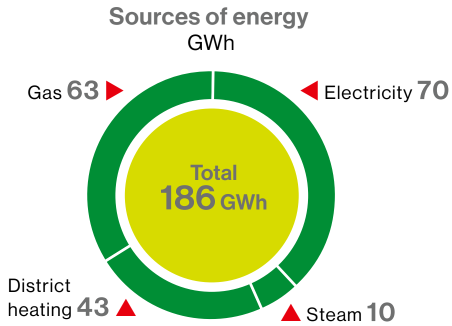
Goal

Goals for 2021

a) Develop science-based climate targets and a roadmap for achieving these targets by 2025/2030
b) Implement our new Supplier Code of Conduct and engage key suppliers in our sustainable sourcing program
c) 100 per cent of our packaging will be recyclable by 2025. 100 per cent of our packaging will come from renewable sources or recycled materials by 2030

Climate action

In October 2020, Cloetta joined the internationally renowned Science Based Targets initiative, together with more than 1,000 companies around the world taking climate action. By doing so, we also joined the even larger We Mean Business Coalition.



The Science Based Targets initiative supports companies to set ambitious emission reduction targets that are consistent with the Paris Agreement. The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2° Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5° C.

To better understand our climate impact and to identify our total carbon footprint, in 2020 we started a thorough study of all the main sources of greenhouse gas emissions (scopes 1, 2 and 3) throughout our value chain. The study will be completed in the first quarter of 2021. The results will be used as a baseline against which we will set our Science Based Targets and create a roadmap on how to achieve them. We have chosen the highest commitment level for Cloetta, which is to be in line with the 1.5° C target by 2050.

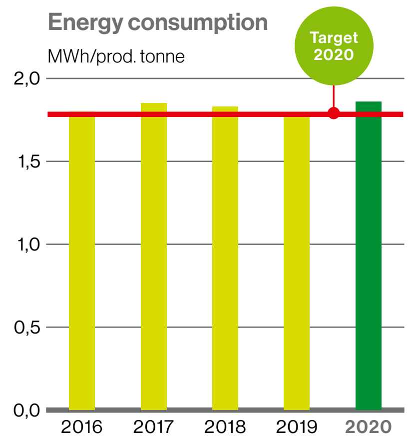
Reducing our carbon impact from packaging is included in our initiatives related to Less and Better Packaging, which is described on page 27.

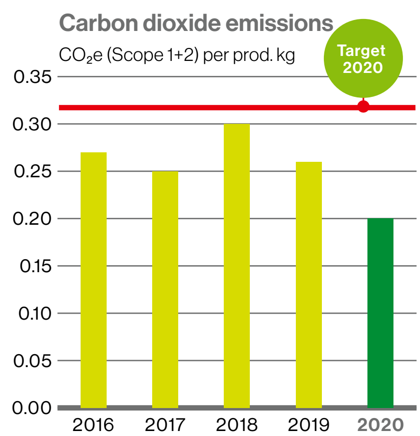
Reduced energy consumption

Based on the energy audits conducted at our factories in 2018, we have implemented several energy-saving projects that have resulted in reduced energy consumption. Due to the Covid-19 pandemic, production in Cloetta's factories decreased from approximately 106,000 tonnes in 2019 to just over 100,000 tonnes in 2020. This has resulted in an increased energy KPI since it is an intensity target using production output as denominator. Despite the fact that the total energy consumption decreased from 193 GWh to 186 GWh, the KPI increased from 1.79 MWh/ton to 1.86 MWh/ton, which meant lower energy efficiency for 2020.

Carbon emissions during 2020

Our carbon emissions decreased substantially in 2020, largely due to the transition to green electricity in all factories. Total carbon emissions (scope 1 and 2) decreased with 28% from 27,407 to 19,699 tonnes CO_2e . Scope 1 emissions from stationary combustion decreased by 12 percent from 13,792 to 12,143 tonnes of CO_2e, while indirect emissions (scope 2) from the use of electricity and district heating decreased by 44,5 per cent from 13,614 to 7,556 tonnes of CO_2e. The KPI for carbon emissions was also reduced from 0.26 to 0.20 kg CO_2/kg produced. Cloetta thus met and exceeded its carbon dioxide target for 2020 (see also page 5). The target was reduced emissions by 5 per cent compared to 2014.

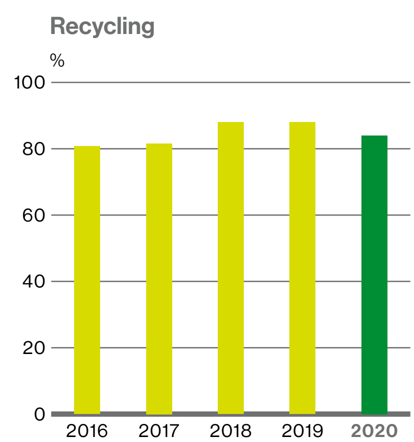




Environmental key performance indicators

	2020	2019	2018	2017	2016
Energy consumption (total, GWh)[1]	186	193	188	179	180
Energy consumption(MWh/produced tonne)[1]	1,86	1.79	1.83	1.85	1.80
CO_2e Scope 1 + 2 (kg/produced kg)[1]	0,20	0.26	0.30	0.25	0.27
Waste (kg/produced tonne)[2,3]	99	62	64	67	64
Recycling (%)[2,4]	84	88	88	82	81
Wastewater (m^3/produced tonne)[2,3]	2,5	2.0	1.7	1.7	1.5

1) The sold Italian businesses have been excluded since 2016. The factories in Dublin, Helsingborg and Roosendaal Borchwerf were added in 2017 but have been included in the key performance indicators from 2014. For this reason, the values for 2014, the base year, have been adjusted for total energy consumption, energy consumption per produced tonne, and CO_2e (Scope 1 + 2) per produced kg.
2) The sold Italian businesses have been excluded from 2016 onwards. The factories in Dublin, Helsingborg and Roosendaal Borchwerf are included as of 2016.
3) Due to expanded definition of waste in accordance with GRI guidelines as well as more detailed reporting from the factories, the amount of waste increased compared to previous years, and figures are not comparable. The same is true for wastewater, where more waste streams are now included.
4) Despite the fact that the total amount of waste increased according to point 3, we were able to maintain a high level of recycling rate.



CLIMATE ACTION IN 2020

To reduce our total carbon footprint we have focused on the following climate actions during 2020:
- Green electricity
- Green logistics

Green electricity today – Green energy tomorrow

Switching from fossil fuels to renewable energy sources is an important measure to lower our climate footprint. Several of our factories have used green electricity for several years, but in 2020 when our climate action plan was launched as part of the Sustainability Agenda, green electricity received renewed focus. In 2020, all factories switched to 100 per cent green electricity certificates and the effects of that change will have full effect in 2021.

The Dublin factory is using 100 per cent electricity from wind energy, the Levice factory is using a mix of renewables with the majority being biomass. The rest of the factories are using hydro based electricity.

The next step is for all energy consumption to come from renewable sources. The current share of renewable energy is 49 per cent, mostly from green electricity (38 per cent) and the rest from district heating (waste and wood) and biogas. The non-renewable sources are almost exclusively natural gas.

Green logistics

Cloetta optimises logistics by combining road, rail and sea transport to reduce both freight costs and our impact on the climate and environment. A substantial amount of our downstream logistics is from our factories to our regional warehouses. As we purchase these transports, we have some influence over the selected carriers' environmental performance.

In 2020, total CO_2e emissions from logistics (scope 3) decreased by 15 per cent from 4,649 tonnes in 2019 to 3,937 tonnes in 2020 while volumes shipped dropped by only 7 per cent. This equates to 37 kg CO_2e per transported net tonne of product, which is an improvement in efficiency by 4 kg CO_2e compared with 2019 (41 kg).

Three main actions are showing the most promising potential for improving our carbon footprint in logistics:
1. Shift to more rail and sea transport
2. Increase the load factor, and
3. Switch from diesel to HVO fuel

The first initiative consists of shifting some of our shipments from road to rail and sea between our factories in the Netherlands to our warehouse in Helsingborg, Sweden. Transporting by rail instead of road is both more cost effective and has a much lower carbon footprint. The main downside is somewhat longer lead times and less than optimal just-in-time management.

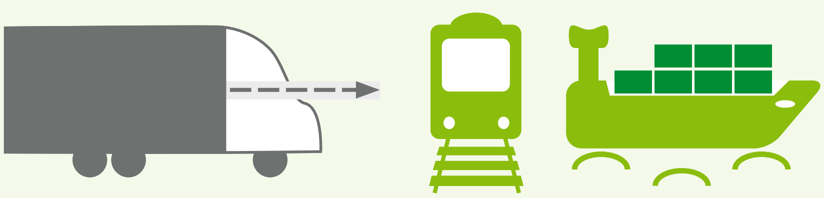
We are constantly looking to increase efficiency by improving the load factor on trucks. During 2020, we focused on improving the load factor on transportation from Levice to our warehouses across northern Europe. By increasing the number of pallets per truck, we used 200 fewer trucks to transport the same number of products, resulting in both lower carbon emissions as well as cost savings.

Another promising initiative is to switch the fuel used from diesel to HVO, Hydrogenated Vegetable Oil. The benefit of HVO is that it can easily be used in an E6-diesel truck without any major changes to the engine. HVO is currently only available in Sweden and Finland which means that we cannot implement it on all routes.

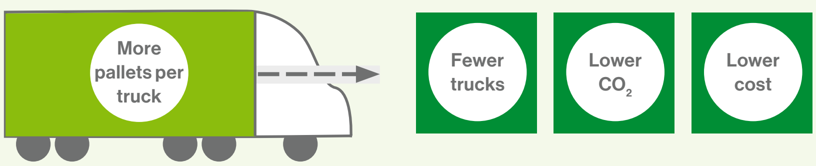
We have made the switch to HVO between the Ljungsbro factory and our warehouse in Helsingborg and the results are promising. This is a reduction in CO_2e emissions of more than 90 per cent compared to diesel Euro-5.

Three climate actions with potential for lowered carbon footprint

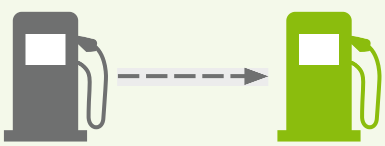
1. Shift to more rail and sea transport
Lowered carbon footprint potential varies between 10–30 per cent.



2. Increase the load factor
Lowered carbon footprint potential varies between the different factories and warehouses.



3. Switch from diesel to HVO fuel
Lowered carbon footprint potential up to 90 per cent depending on availability of HVO.



Sustainable sourcing

During 2020, Cloetta has clarified its ambitions and requirements through a new Supplier Code of Conduct and moved the whole supplier approval process onto a new supply chain management platform. This will enable us to rate the different suppliers and work jointly with them to improve our combined sustainability performance.

Cloetta has an extensive product range that requires many different types of raw materials and packaging solutions. Consequently, the company has many suppliers and processes to assess new suppliers and monitor existing ones. Our work is based on Cloetta's Supplier Code of Conduct, which covers human and labour rights (including specific requirements for child labour), business ethics and anti-corruption, health and safety, environmental protection and the Cloetta Quality Agreement, which covers both product quality and food safety.

Sustainable suppliers

Suppliers are obliged to adhere to these governance documents and report any changes in their operations that may lead to deviations from agreements with us. Our focus has been on product quality and food safety, but with the new Supplier Code of Conduct we have a tool to expand our monitoring activities to include other aspects of sustainability. Suppliers are monitored based on risks related to country and sector-specific circumstances, and their own performance over time. The objective is for suppliers to continuously improve their performance. Due to Covid-19, on-site audits were limited. In total, audits for social sustainability were performed at 15 suppliers in high risk countries during 2020.

19 new first-tier suppliers were approved during 2020. None of these are based in high risk countries. All new suppliers were assessed in terms of their food safety, product quality, environmental considerations, workplace conditions and human rights. The risk for incidents of child labour is not high for Cloetta's direct suppliers (first tier). However, in the agricultural sector child labour is a problem. Cloetta is working together with suppliers and NGOs to help eradicate child labour but it is a difficult and complex matter that is intimately linked to poverty.

Sustainable raw materials

Sustainable sourcing of agricultural raw materials means paying particular attention to sustainable agricultural practices with the overall goal to turn negative environmental impacts into positive impacts. Protecting biodiversity is intimately connected to climate change where deforestation adds to the crisis, while reforestation can provide part of the solution. 100 per cent of all cocoa and palm oil purchased is certified by third parties and biodiversity protection is central requirements in these certification programs. For other raw materials, Cloetta is working directly with suppliers as well as with NGO's to improve traceability, and improved overall sustainability performance.

Sustainable shea butter

Together with our supplier, AAK, we source 100 percent direct, traceable and sustainable shea butter in our Cocoa Butter Equivalent (CBE). Read more on page 21.

Sustainable Gum Arabic

During 2020, Sustainable Gum Arabic was initiated. Gum Arabic is a key ingredient in our Läkerol pastilles and this beneficial ingredient from the Acacia senegal tree deserves its own program. We completed a feasibility study and are planning a pilot program during 2021.

Certification schemes

Rainforest Alliance certified cocoa

In 2020, Rainforest Alliance and UTZ decided to launch a new certification seal that would replace the separate seals that were being used previously. This was to mark the completion of the merger between the two organisations and the establishment of the new and improved certification program (to take effect in July 2021). Since 2014, Cloetta has been buying cocoa solely from UTZ certified farmers. In this way, we secure access to high-quality cocoa, while contributing to sustainable production and positive change for the cocoa farmers. We will migrate all products to carry the new certification seal during 2021.

Through the certification program the cocoa farmers receive:

- Training in sustainable farming methods to ensure higher yields over time and protecting biodiversity
- A sustainability differential payment

The cocoa value chain

West Africa, primarily Ghana and Ivory Coast, accounts for around 70 per cent of the total global harvest of cocoa beans. Cocoa is cultivated by around 5 million farmers and employs some 40 million people. Local intermediaries then distribute the raw material to international cocoa wholesalers, after which the cocoa is sent to Europe. Every year, Cloetta purchases approximately 3,000 tonnes of cocoa in the form of cocoa pulp, cocoa butter and cocoa powder from suppliers in Europe.

Cloetta wants to contribute to a better world for people and nature. That is why we buy cocoa from UTZ certified farms. The UTZ program is now part of the Rainforest Alliance. The Rainforest Alliance seal means that farmers manage their land more sustainably, protect the environment, and benefit from improved livelihoods. The Rainforest Alliance is working towards a world where people and nature thrive in harmony, www.ra.org.

RSPO certified palm oil

Around 85 per cent of all palm oil in the world comes from Malaysia and Indonesia.

Eight principles that farmers must respect

1. Transparency
2. Compliance with laws and regulations
3. Commitment to long-term economic and financial viability
4. Use of best farming practices
5. Environmental responsibility and conservation of natural resources and biodiversity
6. Responsible consideration for individuals and communities affected by palm oil production
7. Responsible development of new plantations
8. Commitment to continuous improvement

By respecting the eight key principles, the negative impacts of palm oil cultivation on the environment and communities can be reduced.

High impacts

Palm oil is one of the most controversial agricultural commodities. On the one hand, it has lifted millions out of poverty, since one hectare of palm oil production may yield incomes of USD 3,000 while conventional agriculture may only yield less than USD 100. It is also in high demand due to the crop's superior yields, which are 5 to 10 times that of other vegetable oil crops, coupled with its long shelf-life, desirable health properties and versatility.

Another perspective

On the other hand, this enormous demand has caused major undesirable social and environmental consequences. Violations of human and labour rights and the destruction of rainforests are all too well documented.

According to a recent research report entitled 'The environmental impacts of palm oil and its alternatives', there is an important difference between the absolute and relative environmental impact per-tonne-oil yield. In absolute figures, palm oil has the highest impact. Per-tonne-oil, however, palm oil has the lowest impact. The other oils in the study were rapeseed, soy-bean, sunflower and groundnut.

Replacing palm oil with alternatives may not be the best course of action in terms of sustainability or product quality, so we therefore have several products containing palm oil.

RSPO

For these products we are only working with suppliers that can provide RSPO certified segregated palm oil. This is the highest standard that provides traceability and ensures that the sustainable palm oil from certified sources is kept separate from ordinary palm oil throughout the supply chain. This certification also ensures that 100% of the palm oil content in our products is deforestation-free (i.e. not grown in primary forest, on peatlands, in areas with protected forests or areas where slash-and-burn farming is used). RSPO certified palm oil has now reached 19% of total global production, so there is still a long way to go until sustainable palm oil is the norm.

CERTIFIED SUSTAINABLE PALM OIL ™ RSPO CERTIFIED

Better resource use

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

A holistic approach

Cloetta uses resources efficiently by focusing on the energy consumption of our manufacturing facilities, including recycling and waste.

We monitor the environmental impact of products and packaging throughout their entire lifecycle. This is done by understanding and dealing with the impact within each phase. In areas where Cloetta has a limited direct impact, we work through partnerships, for example RSPO, UTZ/Rainforest Alliance and suppliers.

Improved systems and processes

Within operations, all functions and factories work systematically with environmental matters, including action plans and follow-up in a number of different areas. Cloetta's management system is based on ISO 14001 and our environmental goals and activities are defined within the management system. We have set goals for 2020 for all of Cloetta regarding energy, climate and waste. Processes and instructions for data collection are in place and data is reported monthly and consolidated at Group level.

In 2020, we adopted a completely new approach to waste reporting where we follow the updated GRI guidelines and the GHG protocol. This has meant an expanded definition of what counts as waste. We also improved the reporting process with much more detailed reporting from the factories. This has meant that the KPI for total waste cannot be compared with previous years. Total waste is now 99 kg/tonne produced. Despite this increase in total waste, the recycling rate has been maintained at 84 per cent, which is only a small decrease compared with previous years.

Less and better packaging

To reduce the environmental impact of packaging and use resources more effectively, Cloetta has defined a program to develop more sustainable packaging solutions with improved environmental performance. Less and Better Packaging is an ongoing initiative, where the goal is that 100 per cent of our packaging is recyclable by 2025 and by 2030 we will use materials 100 per cent from renewable sources or recycled materials.

Our Vision for Less and Better Packaging

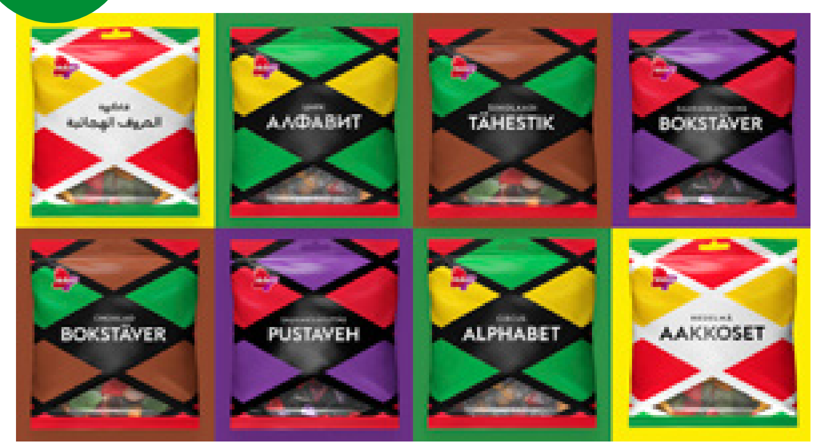
1. **Circularity.** By 2025 100 per cent of our packaging will be recyclable. This way we can contribute to a circular economy with the help of our consumers.
2. **Plastic-free.** Introducing plastic-free material when possible and beneficial.
3. **Packaging reduction.** Reducing the total amount of packaging material.
4. **Plant-based plastic.** This is an area of packaging innovation where progress has been made during 2020 with the launch of PlantPack.

The PlantPack combines two aspects of the sustainable packaging program; circularity and plant-based plastics. While the packaging can be recycled as normal plastic, it contains up to 50 per cent plant-based plastics. This in turn will mean up to 25 per cent lower carbon footprint compared to the previous packaging. The new PlantPack will be rolled out for more products during 2021.

During 2020, we made developments toward our plastic-free and packaging reduction visions. For our more complex packages we are also gradually removing metallised films from plastic packaging, which increases their recyclability. Approximately 85 per cent of Cloetta's plastic packaging is now recyclable.

IMPACTFUL CAMPAIGNS

Aakkoset's multilingual 50th birthday



Aakkoset (Finnish for alphabet) is a Finnish candy classic that has always played with words. So it was only natural to celebrate its 50 years, in several of the languages spoken in Finland.

Besides using seven languages on the bags, there are 28 new letters embossed on the candies. The languages and alphabets mix happily together in our candy bags – just like in the world around us.

"We're happy to use our brand to show we appreciate diversity and understanding," says Maija Paakkanen, Marketing Manager at Cloetta Suomi Oy.

"In terms of media hits, consumer feedback and discussions online, this seems to be our most meaningful campaign so far," explains Marja Piironen, Communications Manager at Cloetta Suomi Oy.

The confectionery market

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

Cloetta's main markets are Sweden, Finland, the Netherlands, Denmark, Norway, Germany and the UK. The total market for confectionery in our main markets amounts to approximately SEK 273bn (269).

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. Market recessions affect us mainly through general price pressure from the retail trade and increased competition from the trade's own private labels. However, private labels account for a relatively small share of confectionery compared to other grocery products. Furthermore, the confectionary market may also be temporarily impacted by events such as a global pandemic.

Since growth takes place mostly 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, candy including pastilles accounts for 30 per cent, chocolate for around 62 per cent and chewing gum for around 8 per cent of the total market in Cloetta's main markets.

Competitive market

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

Consolidation of the confectionery industry is taking place gradually. The industry as such has a long history and the pace of technological product innovation is low.

The nut market

Cloetta is also active in the nut market via the brands Nutisal and Parrots. The total nut market in the Nordic region is worth around SEK 5bn, and the private labels of the retail trade account for approximately one third of the total market.

In Cloetta's main markets, the nut market is experiencing annual growth of 1–2 per cent in volume. However, in the past few years the growth has been around 4 per cent a year due to price increases and a shift to the premium product category, and more recently due to Covid-19 and the impact of the pandemic.

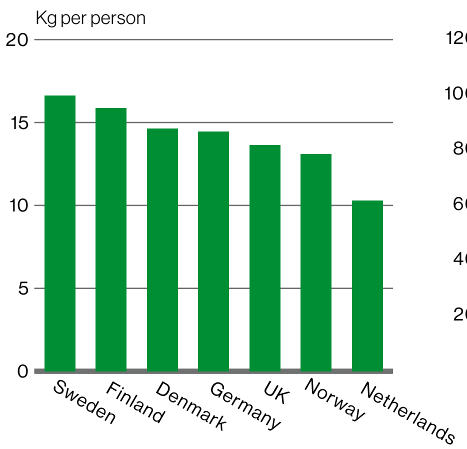
Consumption patterns

Confectionery is one of the most impulse-driven categories in the retail trade. Up to 80 per cent of purchasing decisions are made at the point of sale, brand, availability and product placement are significant success factors.

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

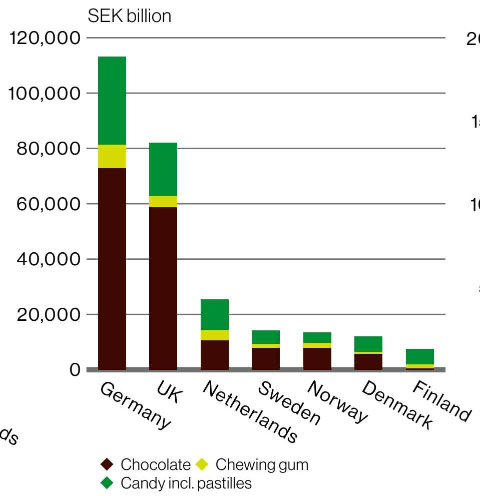
Consumption patterns and taste preferences vary between the different markets. For example, compared to the rest of Europe, the Nordic region has a lower per capita

Confectionery consumption per capita, 2020



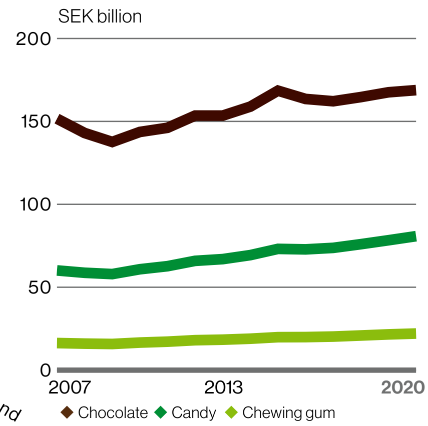
The graph refers to candy and chocolate in the countries where Cloetta is active.
Source: Mintel and Global data

Market size, by region, Cloetta's main markets, 2020



Source: Global data

Market development in Cloetta's main markets



Source: Global data

consumption of chocolate, but a significantly higher consumption of candy.

Pick & mix

The pick & mix category has a very strong position in the Nordic countries and accounts for a high share of the total confectionery consumption, while the consumption of pick & mix is considerably lower in Central Europe where packaged candy and chocolate have a stronger position. In Sweden, pick & mix normally accounts for 30 per cent of the total confectionery market, while in the other Nordic countries it accounts for 5 to 15 per cent. Pick & mix candy as a market is growing faster than packaged products in most Nordic countries. However in 2020 due to the pandemic situation and lockdowns, the balance has shifted with pick & mix losing market share.

Traditional sales channels

Cloetta's foremost sales channels in all markets are the grocery retail trade and the service trade.

The grocery retail trade has undergone extensive consolidation and restructuring over the past ten years, and the number of stores has decreased at the same time as floor space per store has grown. Concentration in the grocery trade is high in the majority of European markets, which means that the channel can place high demands on its suppliers. Nonetheless, as a leading supplier Cloetta has the opportunity to develop partnerships that benefit both sides. Strong brands and high-quality products that are attractively priced and can be effectively displayed and marketed are therefore of major importance.

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

In 2020, Covid-19 had a positive impact on grocery retail sales while service trade was negatively impacted.

Other sales channels

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

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

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

In 2020, Covid-19 had a negative impact on sales in other sales channels.

E-commerce

The implementation of strict Covid-19 social distancing recommendations and associated governmental restrictions (lockdown in the United Kingdom, Netherlands, etc.), supported the acceleration of e-commerce at a pace never seen before.

In 2020, e-commerce FMCG in Europe gained the equivalent of 9 years of share growth (moving from 6 per cent to 9 per cent).

While Europe is still behind Asia in terms of e-commerce share (Asia FMCG e-commerce share: 22 per cent), the momentum in the European market is one of the fastest in the world.

The E-commerce market disrupt the traditional FMCG structure with new players challenging the position of historical market leaders (e.g. Nemlig in Denmark, Amazon which started to sell confectionery in 2020 in the Netherlands), different selling approach (digitalization of the shelf) and specific consumer profile and expectations. The profile of people who buy groceries online is mainly young families with children which are shopping for weekly consumption. In emerging markets, e-commerce is also more popular with young high-income consumers (Generation Z more used to digital purchase). The key driver for buying online is convenience. The major accelerator is technology with mobile and voice assistants set to play a crucial role. Read more about Cloetta's e-commerce development on page 38.

Cloetta's sales channels

Grocery retail trade

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

Service trade

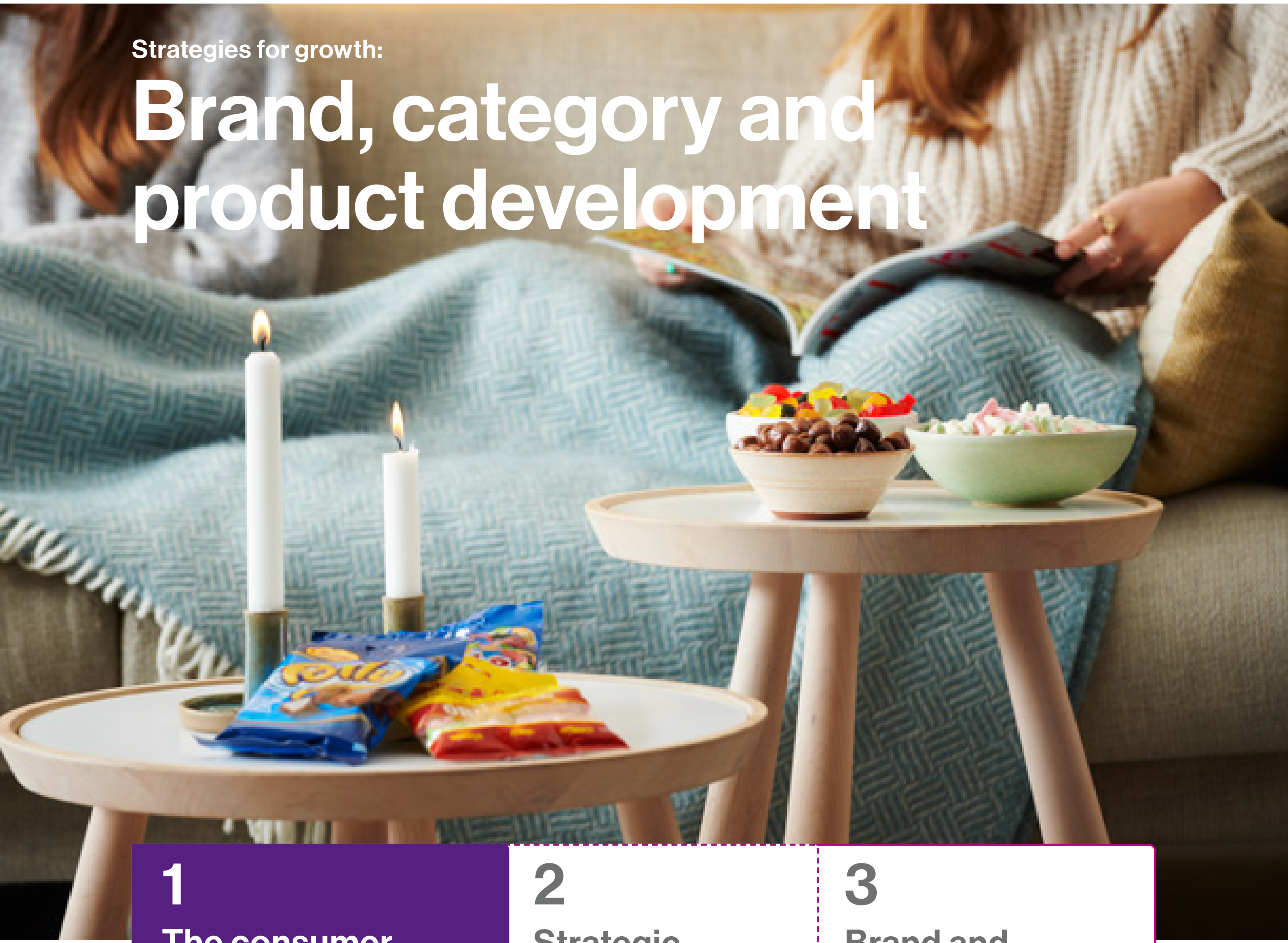
Generous opening hours, centrally located in the form of convenience stores and filling stations. An increasingly wide range of snack alternatives.

Other channels incl. e-commerce

Includes cinemas, building supply stores, airports and arenas. This channel often requires support in developing its confectionery sales. The e-commerce sales channels have been growing rapidly in the past few years, and exploded in 2020 due to the impact of Covid-19.

Strategies for growth:

Brand, category and product development



1 The consumer in the spotlight

Listen, engage, understand and evolve. Consumers are the key to growth, which is why they are at the centre of all our strategies.

STRENGTHEN CONSUMER UNDERSTANDING

- Understand consumer behaviour and preferences
- Detect and follow trends
- Validate ideas and concepts
- Product testing
- Track market, brand and product performance

2 Strategic product development

INNOVATE TO ENABLE GROWTH

- Enter new markets and segments and implement new initiatives
- Enhance experiences through new flavours and textures
- Ensure sustainability and consumer choice
- Increase the value of products
- Develop new packaging technologies and sizes

3 Brand and category leadership

ACCELERATE GROWTH

- Continuous support for core brands through effective marketing campaigns
- Leverage category development strategies and future key growth drivers with retail customers
- Develop pick & mix concepts
- Develop consumer-centric and customer-centric activities through a strong and competent sales force
- Increase visibility in stores
- Launch sales and in-store campaigns

The consumer in the spotlight

Strengthening consumer understanding

Consumer and market insights are a key source of input for our strategies, development and continuous improvement. It is crucial to understand every part of the consumer journey in order to provide brands and products that are consistently liked, purchased and consumed. During 2020, Cloetta has strengthened its consumer understanding capabilities by restructuring the Insights function to ensure that teams from all categories and countries receive the required support and insights.

Understanding attitudes, perceptions and opinions

Understanding consumer attitudes, perceptions and opinions of the brands and categories is one part of our dedication to putting the consumer first. Cloetta's consumer focus takes a holistic approach; from early detection of trends to evaluating the market reception of the products.

The Insights team ensures that a strong research eco-system and infrastructure is in place, developing strong partnerships with world-leading research and insight agencies that provide well-established and innovative methods and approaches to understand consumer behaviour.

Product of the Year

There has been an increased focus on getting direct feedback from the consumers on the products' sensory aspects, like taste, texture, flavour, etc., leading to subsequent improvements in our products. One example of this is Läkerol Raspberry Licorice pastille, which won the 'Product of the Year' 2020 in the confectionery category in Sweden. Engagement with followers on the Läkerol Facebook page, as well as research and insights into consumer preferences, guided product development to create the right flavours which were then fine-tuned through product testing to deliver a superior taste. This case demonstrates our commitment to not only listen to consumers' wants and needs, but also to engage with them at every stage of the development of new products.

Cloetta's approach to consumer centricity

1

Understand consumer behaviour and preferences

Exploring consumer behaviour, needs and preferences is fundamental for Cloetta. The insights provide essential understanding of how our brands resonate in consumers' daily lives, and how Cloetta can further improve the relevance and appeal of our offerings.

2

Detect and follow trends

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

3

Validate ideas and concepts

An integral part of providing consumers with brands and products they want is translating trends, behavioural and attitudinal research into the right ideas and concepts. Cloetta continuously tests different hypotheses, concepts and prototypes to ensure our offerings resonate well with consumers, and that there is a good fit with Cloetta's brands.

4

Product testing

It is crucial to ensure our products are vetted by consumers before they are launched. By evaluating the physical products, consumers provide essential feedback to Cloetta's innovation team who subsequently improve the product recipes to fully meet consumers' preferences. Cloetta manages and makes use of our own consumer panel to efficiently conduct product tests, establishing a direct line with consumers, which supports the improvement of our current products as well as the development of new ones.

5

Track market, brand and product performance

We closely follow up on launch performance, and wider market developments and we track category and brand KPIs. Consistent analysis of market data, such as sales figures and market shares, ensures a thorough understanding of the performance of our brands, and enables quick and effective actions when needed.

6 distinct consumer trends

Greater individualisation

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

CLOETTA'S RESPONSE
Our consumer promise

Pick & mix is a good example of a concept that is individualised, and a category in which we are a leading market player. In 2020, the CandyKing brand was relaunched to make it a more relevant and appealing offering, and give consumers exciting new options on the pick & mix shelf, through exclusive collaboration with suppliers. Cloetta also consistently works on different packaging sizes and formats to cater for different occasion needs, such as The Jelly Bean Factory providing a range of different formats, spanning from smaller "grab and go"– sachets, to larger sharing & gift jars.

Responsibility for the environment and human rights

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

CLOETTA'S RESPONSE
Our consumer promise

During 2020, Cloetta has initiated several programmes within these areas that aim to make a real impact in the world. In partnership with the Rainforest Alliance, we have entered The Living Income project that bridges the living income gap by making extra payments directly to cocoa farmers. Cloetta has committed to the Science Based Targets Initiative (SBTi) which is a public commitment to reduce direct and indirect carbon emissions. As an example of our commitment, all factories now run on 100% Green electricity, and the next step is to move them to 100% Green energy.

Health and less sugar

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

CLOETTA'S RESPONSE
Our consumer promise

We are working to remove artificial flavourings and colourants from our assortment. They will be entirely replaced by natural fruit and plant extracts in our candy products. Cloetta provides alternatives in the form of sugar-free products, products with less sugar and products that are naturally free from sugar, giving consumers the opportunity to choose. We also use the natural sweetener xylitol in brands such as Jenkki, Mynthon and Läkerol Dents. As an example of the company's commitment to provide healthier choices, Cloetta Finland works with health professionals in the Project Jenkki campaign to inspire 100,000 school children to take care of their teeth, with xylitol playing an important part.

E-commerce and digital channels increasingly important for FMCG

E-commerce is growing rapidly across all sectors, including the grocery retail trade. Fuelled by the Covid-19 pandemic, e-commerce has boomed in 2020, with grocery retailers and food companies building up their own e-commerce capacity to sell their products online. New players are also capitalising on the fast growth of e-commerce. Alongside the growth of e-commerce, direct communication with consumers via social media is emerging as one of the most important channels for feedback, capturing trends and sharing inspiration and preferences with others. Online sales in confectionery are still lower than for other consumer product categories, but they are growing at double-digit pace – between 30 to 60 % market penetration in 2020 in the core markets.

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

CLOETTA'S RESPONSE
Our consumer promise

Superior sensory experiences

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

With our strong brands acting as a trustworthy ambassador for novel taste sensations, 2020 brought exciting taste experiences to consumers. For example, in addition to the yearly Juleskum launch in Sweden, we added "Juleskum Christmas tree" to the range, a double-sided candy with a soft vanilla foam and fruit jelly side. 2020 was also the year of the 'Ahlgrens Elbilar' launch, an electric version of the candy favourite, providing a tantilizing mouth sensation.

CLOETTA'S RESPONSE
Our consumer promise

Local, genuine and transparent brands

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

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

CLOETTA'S RESPONSE
Our consumer promise

Strategic product development

Strategic product development includes expansion into new segments and also product extensions such as launches of new flavours and textures. Strategic initiatives also include product adaptation to new geographical markets and pricing strategies with potential changes in packaging sizes.

Innovation and trends

Product development is one of the key drivers for the strength of Cloetta's brands and enables differentiation in the market. Our innovation work and optimisation of the product development process create the conditions for new product launches and relaunches.

Monitoring, interaction with consumers in social media and social listening provide the marketing and innovation department with valuable insights on preferences or changes in consumption patterns.

Natural ingredients and less suger

Natural ingredients, environmental and ethical matters are factors that are increasingly affecting the confectionery market. We continuously review all products and question their ingredients. For example, sweeteners and fruit flavourings have been replaced with stevia and fruit juice. Our ambition is to launch sugar-free or lower-sugar alternatives for all major brands. Examples of products launched include Red Band sugar free and Gott & Blandat 30% less sugar, and Venco sugar-free liquorice, sweetened with stevia.

A focus on taste

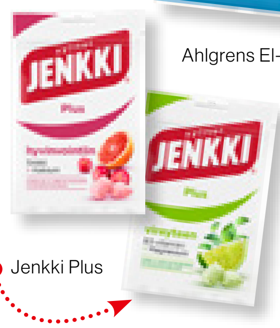
Packaging and marketing can tempt consumers to try a new product, but if the taste does not measure up to expectations there is rarely a second purchase. It is therefore critical that the new products launched by Cloetta meet consumer requirements and expectations. When we develop new products, our focus is on taste and texture. Before a product is launched, it undergoes both internal and external taste tests via consumer panels that assess factors such as flavour, texture, and overall impression.

Without approval from the consumer panel products are not released on the market. A large database of earlier tests and reference values facilitates the necessary assessment.

Strategic product development during the year

Sisu Potku

Ahlgrens El-Bilar



Jenkki Plus

Chewits Juicy Bites

PlantPack packaging

The Jelly Bean Factory enters Australia.

Launches 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 our many brands in different markets, economies of scale in production can be used effectively by matching brands.

Examples include:

- Sportlife Mints from the Netherlands sold as Mynthon ZipMint in Finland.
- Polly from Sweden sold as Pops in Norway.

Package design

In addition to tasting good and being affordable for the consumer, a new product must be commercially attractive to the retail trade and be part of a category strategy reflecting local consumer expectations. Its weight, packaging and distribution are adapted to the various sales channels and markets. With the right packaging, many of the products that are strong in one market can also secure a good position in a new market.

Package sizes are often associated with pricing strategies for different customer categories and markets. Changing a package size is therefore a strategic decision for how a brand can be further developed in order to reach new customers and, thereby, also new consumers.

Travel retail

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

Well-known brands and unique packages in terms of both appearance and size are two of the most important competitive tools in this market.

IMPACTFUL CAMPAIGNS

Ahlgrens bilar Elbilar (electric cars)

By January, the launch of Ahlgrens bilar Elbilar had already struck like lightning in the car world. The new model of Sweden's best-selling car has a sparkly new body and an interior that is fully charged with electric and tantalizing flavours - offering an extraordinary driving experience. With the help of a successful pre-launch at Circle K, digital advertising and PR, news about Sweden's best-selling electric car spread widely – not least in car magazines and industry media. To further spread the word, we also offered private individuals the opportunity to test-drive the new model. This was mainly achieved through Ahlgrens bilar's partnership with Melodifestivalen, with sample bags handed out to everybody who attended the event in the six cities. To maximise the visibility of the Ahlgrens bilar brand, a broader media campaign took place during the spring.

Brand and category leadership

Confectionery is the most impulse-driven category in retail. Consequently, good availability and visibility in stores, alongside strong brands with high recognition and loyalty, are critical to confectionery sales. Cloetta's continuous development and care of its brands, together with a strong sales force, are therefore of vital importance.

Brand management

Cloetta's ten largest brands account for around 54 per cent (49) of the Group's sales. Read more about the leading brands on pages 40–43.

For each brand there is an individual development plan aimed at continuously updating and developing the brand. To ensure strong and sustainable consumer connection with our brands, activities such as impactful and relevant communication, new flavours and line extension, package development and marketing campaigns are proven key drivers for growth.

Marketing communication

Effective and well-planned marketing communication across relevant touch-points, shaped by the audience profile and behaviour, is the key driver for building consumer awareness, preference and emotional connection to our products. When combined with in-store activities and visibility, marketing communication stimulates product trial, cements loyalty and increases overall demand for products.

Cloetta's marketing is based on each brand's strategy and position.

One overarching ambition is to ensure that the marketing investments we make are effective in driving incremental sales and brand equity for the long term. This involves creating the right impactful content combined with a suitable media channel mix, which must be carefully developed and planned ahead of each campaign based on the defined performance objectives.

Category development

Confectionery is a very important and profitable category in grocery retail. Hence, category development and category management are key levers in developing penetration and loyalty through consumer experience and service. Profitable growth for both Cloetta and our customers is enabled by always having the right facts and insights.

Category vision and strategy

A long-term category vision supports the development of the confectionery shelf, the assortment and consumer experience both today and in the future. Powerful brands and a differentiated product portfolio that fits today's and future consumer and customer needs are important parts of the category vision. Thus, any category strategy in support of this vision must be built on solid and

Further develop core brands

Awareness and loyalty

Tools for strengthening the brands
- Impactful, visible and effective brand communication.
- Consumer focus: valuable insights drive relevance.

Challenges
- Leverage technology to improve consumer services and experience.
- Be visible wherever the consumer is: optimise goals for marketing and sales campaigns.

Development

Tools for strengthening the brands
- New flavours, innovations and seasonal products to respond to relevant consumer needs.
- Package development to make the product visible and also to adapt to different sales channels.

Challenges
- Further coordination between markets and brands will create opportunities, economies of scale and cost synergies.

Availability

Tools for strengthening the brands
- A large competent sales force supports retail.
- Cloetta offers the retail trade a complete product range to satisfy consumer freedom of choice.

Challenges
- Continuously identifying new channels through which to reach consumers.
- Developing sales solutions that suit different customer categories.

relevant insights on consumers and how they shop in the store.

New flavours

Launching new and attractive product variants or flavours, in segments where there is consumer demand, strengthens our offering to both customers and consumers.

Since successful product innovations inspire trial of both the new product and the original product, good seasonal products and innovations normally lead to incremental sales.

Pick & mix

Cloetta is the leading concept supplier in the pick & mix category in the Nordic region and the UK. This means that Cloetta offers retailers a total concept in pick & mix, under the brands CandyKing, Parrots and Karkkikatu.

The concept consists of products, fixtures and merchandising and in-store and logistics services. A customer can choose from different concepts containing between 16 and 200 articles. The assortment consists of chocolates, gummy candy, hard-boiled candy, toffee, foam, liquorice and natural snacks that the consumer can pick in bags or cups.

We also provide the pick & mix concept under the private labels of certain retailers, and also sell pick & mix candy to other concept suppliers. Read more on page 11.

Through the Parrots brand, Cloetta is also a leading pick & mix player in the natural snacks market in Sweden and Finland.

Package development

An important part of our brand management consists of package development to provide the best consumer experience. The packaging material must perform several functions, including protecting the product on its route to the consumer, enabling easy handling of the product, providing product information and communicating the brand. Package development also includes retail packaging for various sales channels.

Our goal is that all packaging will be recyclable by no later than 2025. Read more on page 27.

Visibility in stores

One decisive success factor for consumer sales is good exposure in the store, thus, how the retail trade perceives our new products and innovations is a crucial factor. Customers must consider products to be needed, easy to handle and profitable for retail.

We have a large, trend-setting, innovative sales force in our core markets. Through good retail trade relations and extensive knowledge about the industry, market and products, we can present attractive sales solutions that support the customers' business objectives and create added value for both us and our customers.

The most important part of the sales force's day-to-day work consists of helping the individual retailers display our products to achieve higher turnover rates and margins in the store. Through the sales organisation's category knowledge and strong in-store presence, we can reach out with

Examples of new flavours during the year

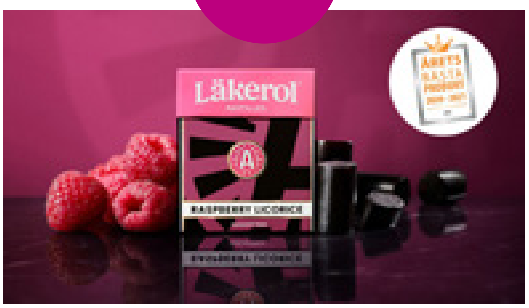
Juleskum Blueberry

Plopp Juleskum

Läkerol Raspberry Licorice "Product of the year"

Categories in which Cloetta is a market leader

IMPACTFUL CAMPAIGNS



Läkerol "Makes people talk" + Raspberry licorice

Winning the prestigious award "Best Product of the Year" really shows what great results we as a team can achieve when we work together in bringing the best product possible to the market. Läkerol Raspberry Licorice was developed with a clear focus on consumer insights. The fact that the award is the true voice of the consumers is proof that our hard work really paid off. At Läkerol our aim is to "Make people talk" – and this time they really did!

A big thank you to all of you who voted.

campaigns, monitor local compliance with centrally negotiated listings and distribution agreements, and ensure good visibility on the store shelves, in the checkout lines and in other places. Read more on page 39.

Sales-promotional activities

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

E-commerce

E-commerce is one of the key focus areas for Cloetta with our products being sold across a wide range of online players from "Brick & Clicks" (e.g. ICA.se and AH.nl), "Pure Play" (e.g. Mathem.se and PicNic.nl), "Cross-border Marketplaces" (e.g. Amazon) to its own e-commerce shop in Finland (www.ksylitolikauppa.fi) and the UK (https://candykingparties.co.uk/). Confectionery is known as an impulse-purchase category, to which the arrival of online shopping brings both challenges and new opportunities. In an online channel consumers do not walk through the shopping aisle the same way as they do offline. To bridge this gap we are constantly developing new marketing tools to get noticed and end up being the preferred brand in a shopping cart. In addition it is also a great opportunity to become part of a non-food shopping mission. Cross-border marketplaces offer new opportunities to cross-sell our products in combination with goods from completely different categories such as books and outdoor gear.

Measurement tools

Effective marketing is dependent on continuous monitoring and analysis of changes in consumer patterns. In-depth knowledge of consumer behaviour and media trends is essential for successful product development and marketing.

Cloetta uses tools to track specific brands in different media and performs general brand performance measurement (e.g. brand consideration and preference). The most important method for evaluating the success of marketing investments for fast moving consumer products, such as ours, is always the combination of immediate reactions during sales and long-term brand equity KPI's such as mental market share.

Protection of intellectual property rights

To prevent infringement of Cloetta's intellectual property rights, we use a special monitoring service, which provides alerts about applications for both national and international registration of brands that are identical to, or can be confused with, our key brands.

For example, Kexchoklad's chequered pattern has been design-protected for many years and the name "Kexchoklad" has been trademarked since 2004.

Success factors for the sales organisation

Good relations with customers at a central and local level

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

Good visibility for Cloetta's products

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

Boost sales

To increase sales, our products need to be wherever consumers are. The task for our sales organisation is therefore to increase display space and sales in existing stores and also seek new non-traditional sales points for selected parts of the product range.

Ensure compliance with customer agreements

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

Effective sales campaigns in cooperation with customers

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

The right products for the right customer

Selling the right products to the right customer generates profitability for both us and for the customer. Our sales force is extensive and effective, which provides good opportunities for a presence at many different sales points.

Cloetta's leading brands

Cloetta is the name and symbol of the Nordic region's oldest confectionery company, with a very strong local heritage. Cloetta's brands fulfil the purpose: "We believe in the Power of True Joy".

Ahlgrens bilar

is a car-shaped foam candy that a large majority of the Swedes love and enjoy. The original flavour and elegant design have remained unchanged since 1953, when Ahlgrens' candy factory decided to try to manufacture marshmallows. The result was not as expected; instead it turned out to be small foam pieces of candy in the shape of a car. Sweden's best selling car was born! New car models have been launched since then.

Sold in: Sweden, Norway, Denmark, Poland, Thailand and the US.

Aakkoset

has been a beloved Finnish candy bag classic since 1970. It has a bold, diamond-patterned design and clever, playful messaging. Aakkoset translates to "alphabets" and the slogan "literally good" encapsulates Aakkoset's positioning as the ultimate indulgence for sweet cravings.

Sold in: Finland and travel retail.

Bridge

is a candy mix that was created in 1966 when some employees were playing the card game Bridge and ate a mixture of different tasting products that were made at the factory. One day someone came up with the idea of launching this mix of varied delicious flavours in a bag; including chocolate-coated hazelnuts, liquorice sticks and peppermint drops.

Sold in: Sweden, Norway and Denmark.

CandyKing

Life is full of sweet and joyful occasions. With CandyKing you choose from hundreds of different candies and mix them just the way you want in a single bag or cup. CandyKing was founded in 1984 and the company was later bought by Cloetta in 2017. It is now the leading supplier of pick & mix in Europe, with CandyKing as the leading pick & mix brand in the Nordic region and the UK. So just Pick it, Mix it, Love it!

Sold in: Sweden, Denmark, Norway, Finland, the UK, Ireland and the Baltics.

Chewits

has a strong brand heritage, launched in the UK in 1965 as a chewy sweet for children. Known for its unique chewy texture, the range of delicious fruity chews are individually wrapped in stick packs, sold in multi-packs and sharing bags. 2019 saw the launch of a new colourful pack design with "Chewie the Chewitsaurus" the cheeky dino who likes to chew. Newest to the range are Chewits Juicy Bites, liquid-filled bon-bons with a juicy strawberry flavour.

Sold in: the UK, Ireland, Norway, Finland, the Baltics, Russia and Belarus.

Center

has been around in Sweden since 1941 and is one of Cloetta's many iconic brands. A tasty round chocolate with a luxurious filling. Center – it's the inside that counts.

Sold in: Sweden, Norway, Denmark, Estonia and Finland.

Familie Guf

is a well-known and beloved brand in Denmark and is the best-selling product within Cloetta Denmark. Familie Guf is a very inclusive brand and celebrates all different kinds of families with the slogan: "Candy for all kinds of families." Even the mix of candy in the bag is diverse, consisting of both sweet and salty liquorice, wine gums, foam, caramel etc.

Sold in: Denmark and Sweden.

The Jelly Bean Factory

offers 36 different flavours of gourmet jelly beans, made from 100 per cent natural flavours and fruit juices. Free from gluten, gelatine and nuts. The Jelly Bean Factory was established in 1998 in Ireland. Every day over 12 million gourmet jelly beans are manufactured in the factory in Dublin, packaged in a wide range of playful formats. "The most juicy, mouth-watering jelly beans on the planet."

Sold in: around 50 countries worldwide, mainly in the UK, Sweden, Germany, the Netherlands, Switzerland, Austria, the Baltics, Russia, Canada, the US, Cyprus, Portugal, Spain, Israel, China, Singapore, Australia and New Zealand.

Jenkki

is the market-leading chewing gum in Finland where it was launched in 1951. Since 1975 the brand has been sweetened with the dental innovation xylitol, and has thus become a smart tooth-friendly habit for Finns: a breath freshener and a nice little treat after each meal. Jenkki – puts a smile on your face.

Sold in: Finland and Estonia.

Juleskum

is the original that has become a natural part of the Swedish Christmas tradition. Cloetta started making marshmallow Santas as early as the 1930s. Each year a limited edition is released, this year with a taste of blueberries. Although Juleskum is only sold around Christmas, it is the third largest-selling candy bag in Sweden on an annual basis.

Sold in: Sweden, Norway and Denmark.

King

The De Vries family started producing peppermint in 1902, and from 1922 under the brand name King. Over time, the brand has evolved from a simple throat lozenge into a modern breath freshener. Today, after nearly 100 years, it still contains the same secret peppermint blend that makes King so loved by many Dutch consumers.

Sold in: the Netherlands, Belarus, Belgium, Canada, Lithuania, Suriname, the UK and the US.

Kexchoklad

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

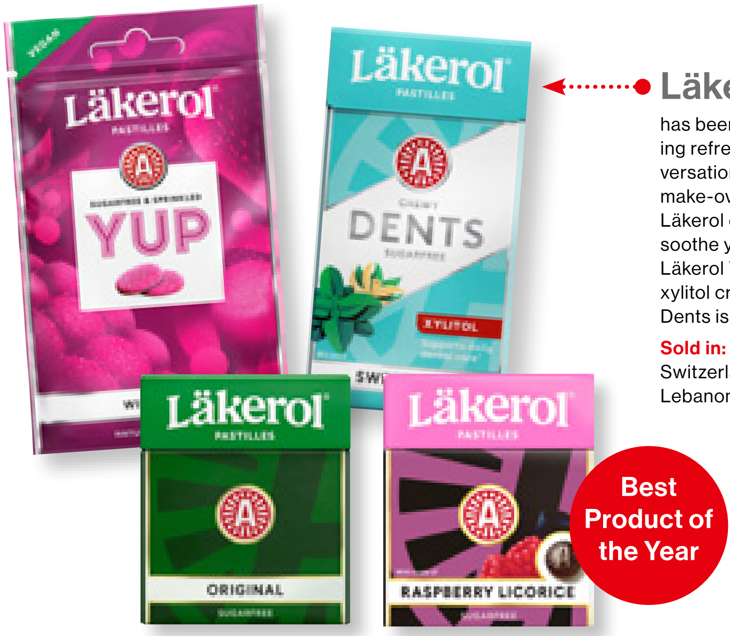
Sold in: Sweden, Denmark and the Baltics.

Lonka

are soft, delicious sweets made with passion and carefully selected ingredients. Lonka has been providing consumers with traditional favourites like Soft Nougat and Fudge Caramel ever since the first Lonka factory opened in 1920 in the Netherlands. The great taste and texture goes perfectly with a cup of coffee or tea and makes these moments more indulgent. Sit back, relax and enjoy! Last year Lonka celebrated its 100th anniversary. Despite Covid-19 we were able to celebrate in Lonka style. Our PR campaign focusing on small moments of happiness received a lot of coverage in local and national media.

Sold in: Benelux, Sweden, Denmark, Germany, the UK, Spain, Switzerland, France, South Korea, Latvia, Singapore and South Africa.

<< Back to contents



Läkerol

has been a classic brand since 1909 and is the tastiest and comforting refresher for all occasions, helping people to be part of the conversation – "Makes people talk". In 2019, the brand was given a design make-over and an extensive media campaign supported the relaunch. Läkerol comes in a variety of flavours and is perfect when you want to soothe your throat, freshen your breath or just fancy something tasty. Läkerol YUP is the fresh and soft pastille sprinkled with a thin layer of xylitol crystals, with the perfect balance of sweet and sour. Läkerol Dents is the most delicious way to take care of your teeth.

Sold in: Sweden, Norway, Denmark, Finland, Germany, Benelux, Switzerland, the US, Singapore, Suriname, India, Hong Kong and Lebanon.

Mynthon

is the leading pastille brand in Finland, where it was launched in 1976. Mynthon is an effective breath-freshener. The product portfolio consists of chewy, hard and compressed pastilles and gum that come in a variety of tasty flavours. "Upgrade yourself" with Mynthon.

Sold in: Finland, Norway, Germany, the Baltics and Belarus.

Malaco

offers a wide variety of confectionery products. The name Malaco comes from the first letters of the company name Malmö Lakrits Compani, founded in 1934. Over the years, many new products have been launched under the brand, such as Gott & Blandat, TV MIX, Aakkoset, Familie Guf, Lagerman Konfekt, and Kick. Quite simply – Saturday all week long.

Sold in: Sweden, Denmark, Finland, the Baltics, Germany, Israel, Italy, Malta, Russia, Thailand, the UK and the US.

Nutisal

is Cloetta's nut expert as of 2014. The business started in a shop in Beirut, Lebanon. Back in 1948, a unique 'dry-roasting' method was developed for roasting without oil. Nutisal took this technology to Europe and created a range of dry-roasted mixes that was launched in 2007. Since no oil is used in the process, the consumer can enjoy the genuine taste of nuts.

Sold in: Sweden, Denmark, Finland, the Netherlands, Switzerland, Suriname, Italy and Latvia.

Plopp

has been loved by many since 1949 for its good milk chocolate and sweet liquid filling. In 2018, Plopp expanded its brand by launching milk chocolate tablets with exciting flavours from the candy, chocolate and snacks portfolio.

Sold in: Sweden and Denmark.

Polly

was launched in 1965 and is Sweden's leading brand of bagged chocolate. Polly consists of delightfully chewy foam drops coated with chocolate, and the original is flavoured with vanilla, arrack and butter toffee. Polly is the candy that surprises, and it is impossible to only eat one!

Sold in: Sweden, Finland, Denmark and Poland.

Pops

are one of Norway's best-kept and tastiest secrets – bags of light and airy chocolate bites. Pops is fun to share, perfect as a weekend treat and enjoyed by the whole family.

Sold in: Norway.

Red Band

dates as far back as 1928. Since its start, the Red Band brand has built up a leading position in the Dutch and German confectionery markets with a promise to deliver fun, quality and pleasure. The classic Wine Gum Mix, the original Drop Fruit Duos and the Pret Mix are some of the well-known products that are sold under the Red Band brand. Today Red Band also offers the consumer more alternatives with a wide variety of 30% less sugar products, sugar-free products and even vegitarian products.

Sold in: the Netherlands, Belgium, Germany, Austria, Canada, Ireland, the UK, Switzerland, the Baltics, France, Suriname and Taiwan.

Sisu

was launched in Finland in 1928 and it is a liquorice pastille flavored with a secret Sisu aroma. Sisu is named after the true nature of the Finnish people. The word "Sisu" means guts, endurance or relentless courage. For the Finns, Sisu is part of the Finnish spirit that no other brand can replace. Sisu gets you through it. Sisu comes in several flavours and textures, packaged in boxes.

Sold in: Finland.

Skipper's Pipes

was established in 1920 and is a unique product due to its pipe shape and pink or yellow sprinkles on top, resembling embers. Today there are two different versions; sweet or salty liquorice. The original liquorice pipe has been a great success and is iconic for thousands of Danes, and is probably one of the most photographed pieces of candy! The pipe is 80% hand-made and packed.

Sold in: Denmark, Sweden, Norway, Finland, Greenland, the Faroe Islands and Estonia.

Sportlife

was launched in the Netherlands in 1981 as the first chewing gum in "blister" packaging. Since its start, Sportlife has been a leader in the Dutch market and also has a strong position in Belgium. Sportlife's brand positioning is "unexpected freshness" and has an international brand profile. In 2015 Sportlife launched its best-selling flavours in tubs.

Sold in: the Netherlands, Belgium and Suriname.

Sportlunch

is a crispy wafer generously coated with pure milk chocolate in easily breakable pieces. Sportlunch was launched in Sweden in 1937, under the name "Mellanmål" which was changed to Sportlunch in 1996.

Sold in: Sweden, Norway, Estonia and Lithuania.

Tupla

is an iconic chocolate bar hungering for adventure since 1960. Finland's number one chocolate bar Tupla means 'double' and contains two chocolate pieces with a unique taste and texture, giving you a boost and attitude for your adventures. The Original Tupla has a cocoa nougat filling covered with milk chocolate, with a twist of saltiness and roasted almonds. Tupla comes in different flavours and sizes, is available as a sport bar and since 2019 it also comes as a protein pudding under Tupla+.

Sold in: Finland, the Baltics and Russia.

Venco

was launched way back in 1878 and is the leading liquorice brand in the Netherlands. Venco has 'a passion for liquorice', which is delivered in a wide range of unique, iconic and top-selling items like honey liquorice and pyramids. When the Dutch think of liquorice, they think of Venco. The best-loved Venco product is called ''Schoolkrijt''. It is a liquorice that looks like blackboard chalk and has a sweet, crunchy mint outside and a soft high-quality aniseed filling. It's not a surprise that Schoolkrijt is the number 1 selling Venco item.

Sold in: the Netherlands, Belgium, Germany, Canada, Israel, South-Africa and Suriname.

TV Mix

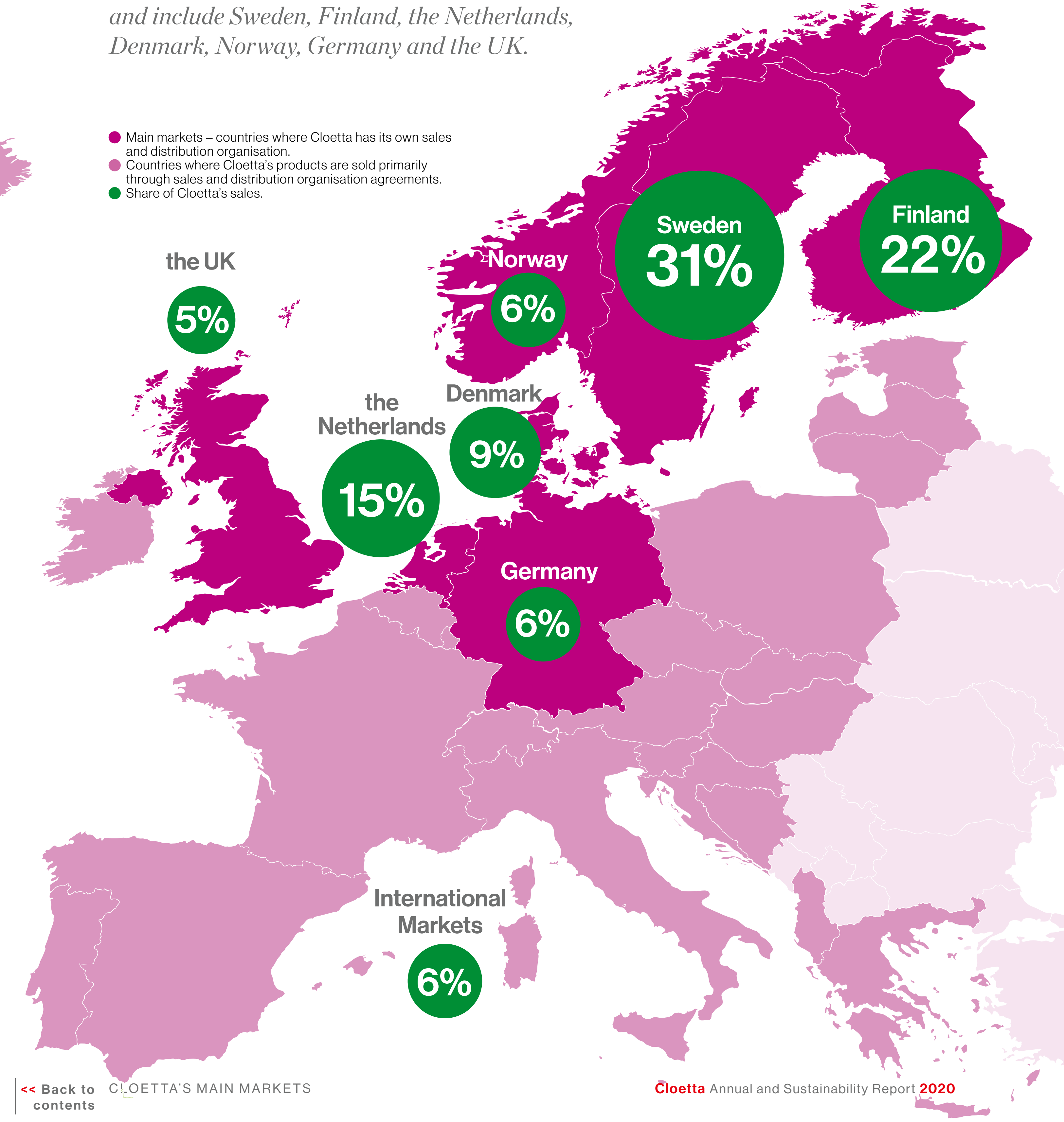
has been an important part of Finnish weekend candy since 1989. It is the most versatile mixed bag combining best-selling pick & mix candy with exciting novelties. Perfect for sharing with your friends and family.

Sold in: Finland.

Cloetta's main markets

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

- Main markets – countries where Cloetta has its own sales and distribution organisation.
- Countries where Cloetta's products are sold primarily through sales and distribution organisation agreements.
- Share of Cloetta's sales.



Sweden

Sweden is the largest single market in the Nordic region, with around one third of the total confectionery consumption. The total market declined in 2020.

Share of Cloetta's sales

31%

Population

10.2 million

Top-selling brands

Market size

Consumer sales of approx. SEK **14**bn

Cloetta's largest customers

Axfood, Coop, ICA, Bergendahls and Privab

CAGR 2015–2020

0.1%

Cloetta's presence

✓	Candy
✓	Chocolate
✓	Pastilles
✓	Chewing gum
✓	Nuts
✓	Pick & mix

Source: Nielsen

Cloetta's sales and competitors

Cloetta is the market leader in candy and pastilles, Mondelez (including the Marabou brand) leads the chocolate market and Wrigley's leads in chewing gum in Sweden. Overall, Cloetta is the second largest player in the Swedish market for packaged confectionery, with a share of around 22 per cent (23). Mondelez has approximately 30 per cent (30) of the market. The retail chains' private labels have a share of around 5 per cent (3) of the confectionery market and 46 per cent (43) within nuts.

Pick & mix, an important category that accounts for around 30 per cent of the total market, is not included in the market shares above, but through contracts with retailers Bergendahls and ÖoB, the acquisition of Candyking and sales of candy to other pick & mix players, Cloetta is the market leader in this category.

Sales channels

The Swedish grocery retail trade is concentrated and increasingly centrally controlled, but with good opportunities for influence at the local store level. The task for Cloetta's sales force is to ensure distribution as well as placement and space in the stores in accordance with the central agreements, and also to provide the trade with support in implementing campaigns and launches. The pick & mix concepts are handled by a dedicated sales and merchandising organisation.

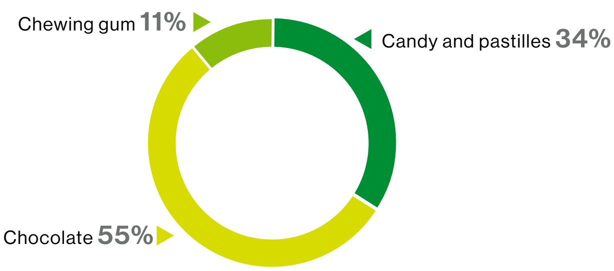
The service trade is a vital sales channel. In recent years, alternative sales channels such as building supply stores, cinemas and arenas have become increasingly important.

Organisation

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

Categories, Sweden

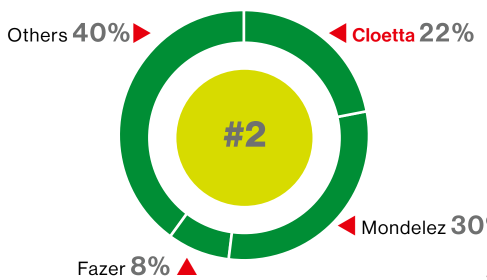
Confectionery market excl. pick & mix



Source: Global data

Largest players, Sweden

Confectionery market excl. pick & mix



Source: Global data

Finland

Finland is the third largest market in the Nordic region, with around one fifth of the region's total confectionery consumption. The Finnish market grew in 2020.

Share of Cloetta's sales

22%


FINLAND

Population

5.5 million

Top-selling brands

Market size

Consumer sales of approx. SEK **13**bn

Cloetta's largest customers

S-Group, Kesko and Tokmanni

CAGR 2015–2020

3.3%

Cloetta's presence

✓	Candy
✓	Chocolate
✓	Pastilles
✓	Chewing gum
✓	Nuts
✓	Pick & mix

Source: SOK

Cloetta's sales and competitors

Cloetta is the second largest player in the Finnish market, with a share of around 24 per cent (25) of packaged confectionery. The market leader is Fazer, with approximately 40 per cent (40) of the confectionery market. The private labels of retail chains have a share of around 8 per cent (8) of confectionery sales in the Finnish market. Cloetta is the market leader in pick & mix which represents about 10 per cent of the total market value.

Sales channels

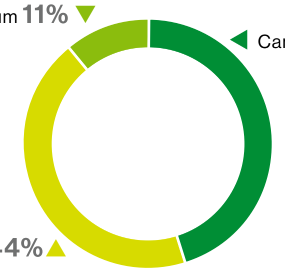
The Finnish grocery retail trade is dominated by two players, Kesko and S-Group. Lidl has a larger share of retail trade compared to the other Nordic countries with 10 per cent. Finland has the most centralised purchasing of all the Nordic region markets which enables new products to achieve wide distribution and quickly become available to consumers.

Organisation

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

Categories, Finland

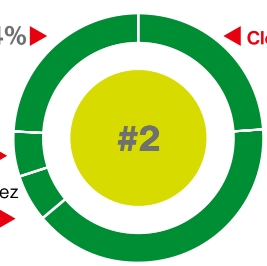
Confectionery market excl. pick & mix



Source: Global data

Largest players, Finland

Confectionery market excl. pick & mix



Source: Global data

The Netherlands

The Netherlands is the sixth largest confectionery market in Western Europe. The Dutch market grew slightly in 2020 mainly driven by chocolate.

Share of Cloetta's sales
15%


NETHERLANDS

Population
17.3 million

Top-selling brands


Market size
Consumer sales of approx. SEK 26bn

Cloetta's largest customers
Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam

CAGR 2015–2020
4.1%

Cloetta's presence

✓	Candy
✓	Chocolate
✓	Pastilles
✓	Chewing gum
✓	Nuts
	Pick & mix

Source: IRI

Cloetta's sales and competitors

Cloetta is the largest player in the candy category in the Netherlands with a market share of 21 per cent (21), and the second largest player in the chewing gum market with a market share of 28 per cent (30). This has enabled the company to build strong relationships with the Dutch retail trade. Cloetta's share in the overall chocolate and sugar confectionery market is 9 per cent (10). The private labels of retail chains have a share of around 9 per cent (9) of confectionery sales in the Dutch market.

Sales channels

The grocery retail trade is concentrated around a few major players. Primarily centralised purchasing allows for wide and rapid distribution of new products that are launched.

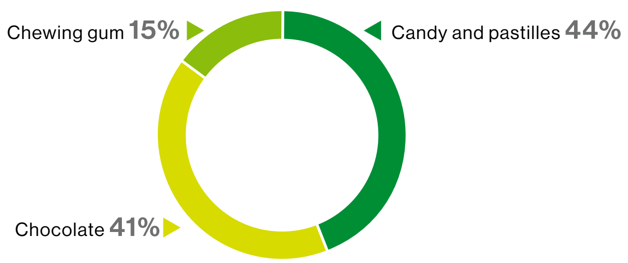
The hard discount retail chains have increased their share of the market during the year, with a high proportion of private labels. Other important channels for confectionery are pharmacy and out-of-home.

Online grocery shopping has a stronger position in the Netherlands than in any other of Cloetta's main markets, despite the fact that overall e-commerce is lagging in the Netherlands.

Organisation

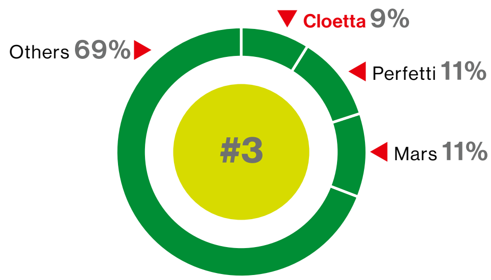
Cloetta has around 85 employees in the commercial organisation at the office in Oosterhout mainly focusing on the Dutch market. The Oosterhout office also supports the Cloetta International Markets division through back-office and support activities including demand, customer service, marketing, business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

Categories, the Netherlands
Confectionery market



Source: Global data

Largest players, the Netherlands
Confectionery market



Source: Global data

Denmark

Denmark accounts for around a quarter of the Nordic region's total confectionery consumption. The confectionery market grew during the year.

Share of Cloetta's sales
9%


DENMARK

Population
5.8 million

Top-selling brands


Market size
Consumer sales of approx. SEK 12bn

Cloetta's largest customers
Coop, Salling Group and Reitan

CAGR 2015–2020
3.3%

Cloetta's presence

✓	Candy
✓	Chocolate
✓	Pastilles
	Chewing gum
✓	Nuts
✓	Pick & mix

Source: Nielsen

Cloetta's sales and competitors

Cloetta is the second largest player in the Danish market for candy and pastilles, with a market share of around 18 per cent (19). Haribo is the market leader with around 29 per cent (25). The private labels of retail chains have a market share of around 7 per cent (9). Cloetta is the leading pick & mix player in Denmark and has strong positions in both candy and nuts.

Sales channels

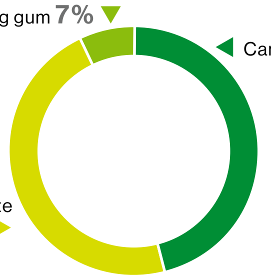
The grocery trade in Denmark is moving towards increasing centralisation, albeit with a combination of centrally driven chains and a more decentralised approach than in the other Nordic countries. Extensive efforts are therefore required at an individual store level to achieve distribution and sales of in-store display racks. Growth in the discount channel has ceased and new channels such as non-food outlets and DIY stores are growing in importance.

Organisation

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

Categories, Denmark

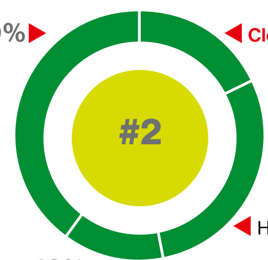
Confectionery market excl. pick & mix



Source: Global data

Largest players, Denmark

Candy and pastilles excl. pick & mix



Source: Global data

Norway

Norway is the smallest market in the Nordic region, with just under a fifth of the region's total confectionery consumption and accounts for 6 per cent of Cloetta's sales. The volumes in the Norwegian confectionery market increased in 2020.

Market size

Consumer sales of approx. SEK **14**bn

Cloetta's largest customers

Coop, NorgesGruppen and Rema 1000

Top-selling brands

Source: Nielsen

Cloetta's sales and competitors

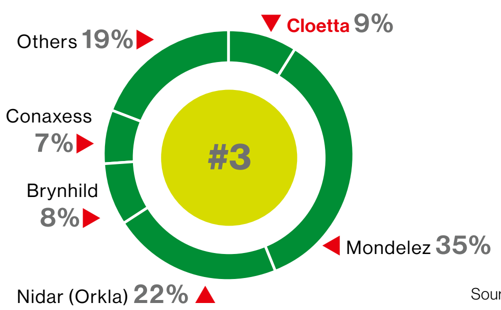
Cloetta is the third largest player in the Norwegian confectionery market, with a market share of 9 per cent (8). The market leaders are Mondelez with 35 per cent (37) and Nidar (owned by Orkla) with 22 per cent (22). Cloetta is the leading player in the candy category and Cloetta is also the leading pick & mix concept provider with approximately one third of the market. In 2021, the sugar tax will be abolished in Norway.

Organisation

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

Largest players, Norway

Confectionery market excl. pick & mix



Source: Global data

Germany

Germany is the largest market in Western Europe and accounts for 6 per cent of Cloetta's sales. The market is characterised by its large proportion of discounters and fierce competition.

Market size

Consumer sales of approx. SEK **113**bn

Cloetta's largest customers

Edeka, Lidl & Schwarz, Metro and Rewe

Top-selling brands

Source:Global Data

Cloetta's sales

Cloetta is primarily active with the wine gum and liquorice brand Red Band. Besides that The Jelly Bean Factory and Lonka are also sold in Germany. Through its strong heritage in wine gum and liquorice products, Cloetta Germany has built a sustainable position with a candy portfolio covering different segments in the market. The specific Red Band texture is clearly seen as a differentiator by both the German customers and consumers. Red Band has thus become the leading non-domestic brand in the wine gum and liquorice sector.

Organisation

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

The UK

The UK is the second largest market in Western Europe and accounts for 5 per cent of Cloetta's sales. It is a market characterised by fierce competition from all international confectionery companies.

UK

Market size

Consumer sales of approx. SEK **82**bn

Cloetta's largest customers

Hancocks, Wilko's and Tesco

Top-selling brands

Source: Global Data

Cloetta's sales

Cloetta is the market leader in pick & mix in the UK with the Candy-King concept. However, pick & mix is still a very small segment of the confectionery market in the UK. In addition, Cloetta is a strong niche player with the premium brand The Jelly Bean Factory. Cloetta also sells the Chewits brand to multiple channels and Lonka to discount and Cash & Carry in the UK.

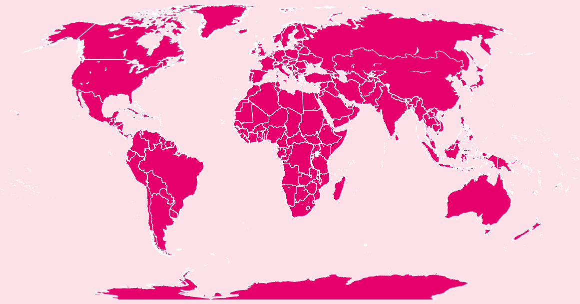
The CandyKing concept is sold and delivered direct-to-trade whereas a distributor model is used for Chewits and Lonka. The Jelly Bean Factory is distributed via multiple distributors.

Organisation

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

International Markets

International Markets accounted for 6 per cent of Cloetta's sales in 2020.



Cloetta's largest distributors

Continental Sweets (Belgium), **Tosuta** (Canada) **and Spiwag** (Switzerland)

Top-selling brands

Cloetta's sales

International Markets consist primarily of sales to countries where Cloetta does not have its own sales and marketing organisation, a total of more than 50 markets. Sales to International Markets are split into four regions, Americas, Asia-Pacific (APAC), Middle East and Europe (including Africa).

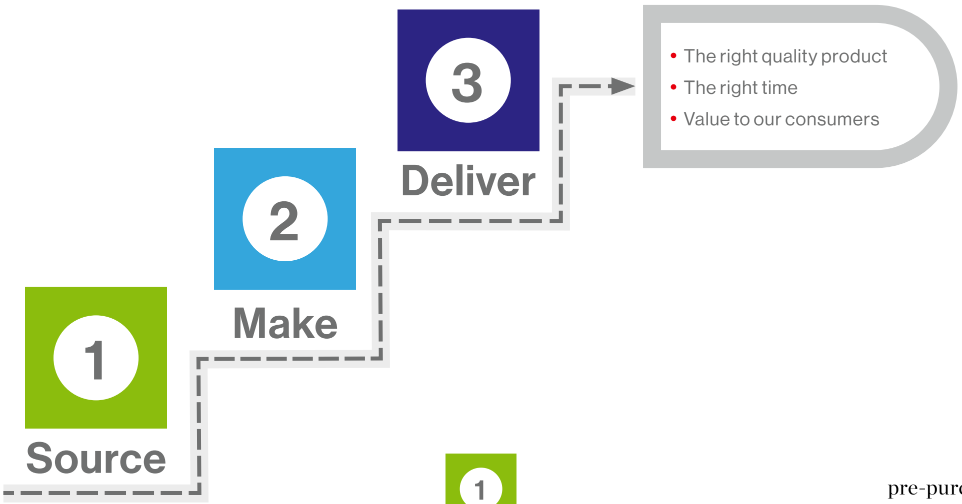
The main markets are Switzerland, the Baltics, Canada, the US, Middle East, Hong Kong and Singapore. In these markets Cloetta focuses on three categories: candy, chocolate (indulgent) and pastilles, which encompass five strategic Cloetta brands including The Jelly Bean Factory, Red Band and Läkerol plus some strong regional Cloetta brands.

Organisation

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

Operations

Cloetta has a total of seven factories, located in Sweden, Slovakia, the Netherlands, Belgium and Ireland. The company produced a total of approximately 97,000 tonnes of candy, chocolate, chewing gum, pastilles and nuts in 2020.



Cloetta's Operations organisation consists of three integrated parts – Source, Make and Deliver. Operations are organised such that all three parts support each other to deliver the right quality product, at the right time and value to our consumers. The main functions are Purchasing, Manufacturing, Technology, Supply Chain, Quality and Strategy.

We have seven factories, located in Sweden, Slovakia, the Netherlands, Belgium and Ireland. The company also uses third-party suppliers for part of its production. External production is only outsourced to manufacturers with the same high-quality standards that are applied to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

During 2020, Cloetta closed its nut factory in Helsingborg, Sweden and outsourced the production to a third-party.

1 Source

Purchasing

Cloetta's largest cost items in production are raw materials and packaging.

We collaborate closely with our largest raw material suppliers, through things like automated order and delivery processes that are adapted to the raw material consumption in each factory.

Prices and costs

The prices of Cloetta's most important raw materials are set on the European commodities exchange, either directly, as is the case for cocoa, or indirectly such as with glucose syrup, the price of which is influenced by the price of wheat and barley. This means that our purchasing costs for these items are dependent on market pricing. Aside from the production volume, the total cost for raw materials is also affected by factory efficiency.

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

Agricultural policy

The prices of many of Cloetta's raw materials are affected by agro-political decisions regarding subsidies, trade barriers and such.

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 relation to production capacity. In recent years, speculative trading of agricultural commodities has increased significantly, which has contributed to greater price volatility.

Suppliers

We use several suppliers for the majority of our raw materials, but significant consolidation has taken place among the suppliers, which has sometimes made it difficult to find alternative suppliers.

The ten largest suppliers of raw materials and packaging account for around 30–35 per cent (30) of the total purchasing volume.

Suppliers to Cloetta are evaluated and approved before they can deliver to the factories. Read more on page 25.

Cost trend

Sugar

Sugar prices were quite stable in 2020 with lower demand balanced by stock reduction.

Cocoa

The price of cocoa went down linked to a good harvest, the impact of Covid-19 and the weak pound sterling, which more than offset the LID (Living Income Differential) impact.

The price of cocoa 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 price of cocoa is naturally also dependent on the level of supply, i.e. the harvest and trends in demand.

Nuts

Nut prices are affected mainly by supply and demand, weather conditions and thereby the harvest and exchange rates, since most nut prices are quoted in USD. The cost of nuts, particularly cashew and almonds decreased while peanuts went up.

Milk powder

In 2020, the higher price trend for milk powder was limited on average due to Covid-19.

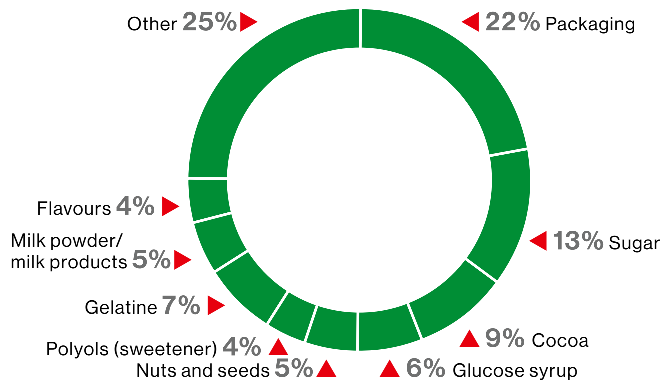
Gelatine

The price of gelatine increased greatly, due to a large imbalance between supply and demand.

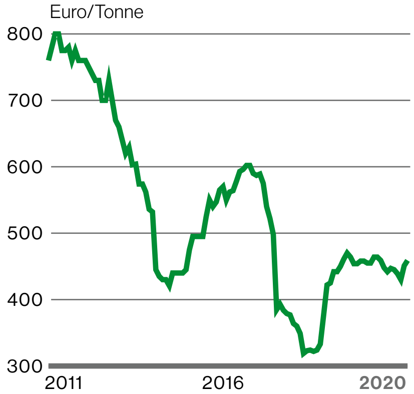
Packaging

Purchase costs for packaging materials, especially paper-based packaging material such as corrugated material, decreased during 2020.

Breakdown of raw material and packaging costs

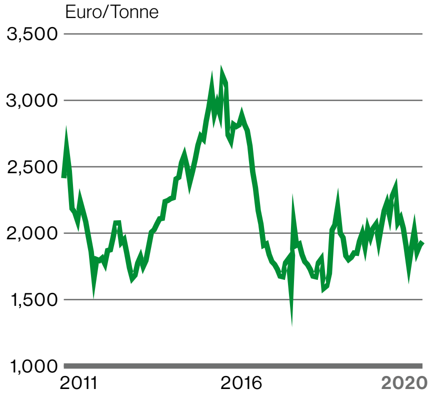


Sugar
Cost trend



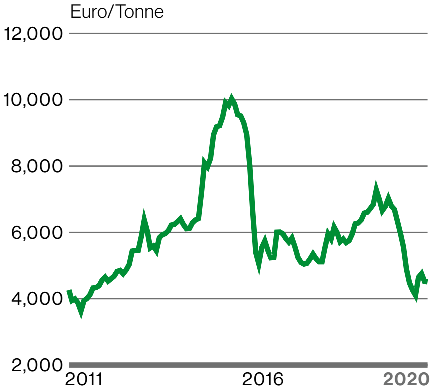
Source: Data Commodity

Cocoa beans
Cost trend



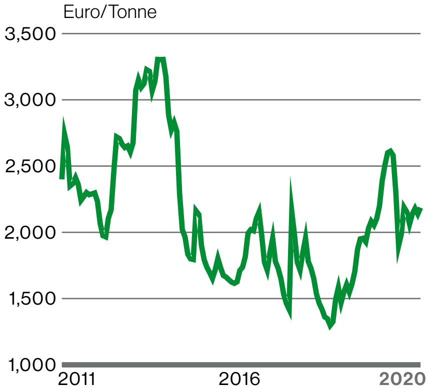
Source: Data Commodity

Almonds
Cost trend



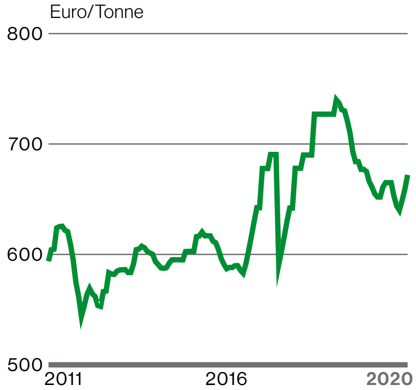
Source: Data Commodity

Milk powder
Cost trend



Source: Data Commodity

Corrugated paper
Cost trend



Source: Data Commodity

2

Make

Manufacturing

Management of food safety in manufacturing is based on the HACCP method (Hazard Analysis Critical Control Points) whereby risks of chemical, biological, microbiological and physical contaminants are identified and managed to eliminate and minimise any conceivable risks to consumers.

All of Cloetta's factories are certified according to the BRC Global Standard for Food Safety, an international standard that outlines requirements to manage product safety, integrity, legal compliance and quality, and the operational controls in the food industry.

To support and facilitate compliance with BRC and EU regulations, Cloetta has also developed its own Good Manufacturing Practice (GMP) Manual, aligned and updated with the best reference standards in the food industry, which is being implemented in all factories. Independent internal auditors monitor that implementation is effective. Each factory receives an audit score and improvement plans along with new target scores to be achieved for continuous improvement.

The backbone of Operations is the Cloetta Leading Performance Program (CLPP) with the vision to create the Perfect Factory. The aim of the program is to create a trustworthy, engaging and sustainable environment in which people feel empowered to deliver improvements. This program will improve efficiency further, reduce waste and leftovers, and create increased flexibility and capacity in the factories. The program involves improving operational excellence, and also strategic investments to modernise the factory network.

Sustainable manufacturing

Health and safety in the workplace is fundamental to Cloetta. Our health and safety work is focused on two areas. Firstly, we are working to reduce physical risks in all work places and the second focus is on promoting an occupational health and safety mindset.

As part of the Sustainability Agenda, environment is one of the most significant areas for driving a sustainable business throughout the organisation. Our main environmental focus is on climate-related issues, such as renewable sources and resource consumption of our manufacturing facilities, including recycling and waste. Read more on pages 22–24.

Early in 2020, Cloetta recruited a Group Head of Health & Safety, Environment (HSE) with the task of strengthening the company's HSE performance by developing a strategy and implementing improvement programs. During 2020, HSE reporting was improved and more systematic analyses of data was introduced. Improvement programs are focused on reducing emissions, incidents, risks as well as increasing employees' awareness regarding environment and health & safety.

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 high-quality confectionery.

We make continuous efforts to ensure that our products meet the requirements and expectations of consumers and retailers. Suppliers are selected, evaluated and approved against a defined set of criteria. We monitor the performance of suppliers through a risk-based supplier audit program carried out by a specially trained audit team. A risk-based control plan is used to check that raw material is delivered in conformance with the specifications and EU regulation requirements.

Cloetta also has a Food Safety & Fraud Team to ensure timely knowledge of emerging risks from the supply chain. The team also implements measures to prevent undesirable effects on products and the brands.

Management systems

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

The management systems cover health and safety, environment, quality and product safety. These systems are based on international standards (BRC Global Standard for Food Safety, ISO 14001 for the environment), recurring risk assessments and continuous improvements. The core of these standards aim to improve the business process performance and its expected outcome. It also builds a way of working based on the principles of Plan, Do, Check and Act.

Products

For each product there is a detailed specification of the flavour, aroma, appearance, texture and package. A central sensory panel carries out training and adaptation across our factories to ensure that qualified tasters are in place to monitor the performance and conformity of the products.

Cloetta's tracking system enables tracing of all raw materials from suppliers through all stages of manufacturing and product shipping to the customers, and vice versa.

We have established a detailed process which enables rapid recall of a product from the market if needed.

Vision for the Perfect Factory through Cloetta's Leading Performance Program (CLPP)

In 2020, Cloetta took the next step towards its vision for the Perfect Factory. Through cross-functional teams and high participation and engagement from the factory shop-floor, reliability has improved and the amount of waste and leftovers has further decreased.

- Team-centric, activity-based staffing.
- Engaged, cross-trained employees, relentlessly driving improvement using Lean tools.
- Stable processes operated with up-to-date standard work instructions.
- Use of statistical process control to ensure predictability and to identify and correct deviations.
- Reliable equipment that is proactively maintained based on defined standards, and repaired efficiently when down.
- Digitalised information visualisation from every line. Real-time metrics and continuous dialogue so as to correct gaps between current and target performance.
- Engaged, visible leadership team that reinforces the desired culture with regular performance dialogue and improvement measures.

Success factors for manufacturing

Employee health and safety

A healthy and safe workplace environment is a fundamental right for each employee. Being and feeling safe at work is essential in order to develop and perform well in the workplace.

Flexibility

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

Cost efficiency

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

Delivery accuracy

Good production planning is essential for effective production and low warehousing costs, and also for delivery accuracy to the customers.

High and consistent quality

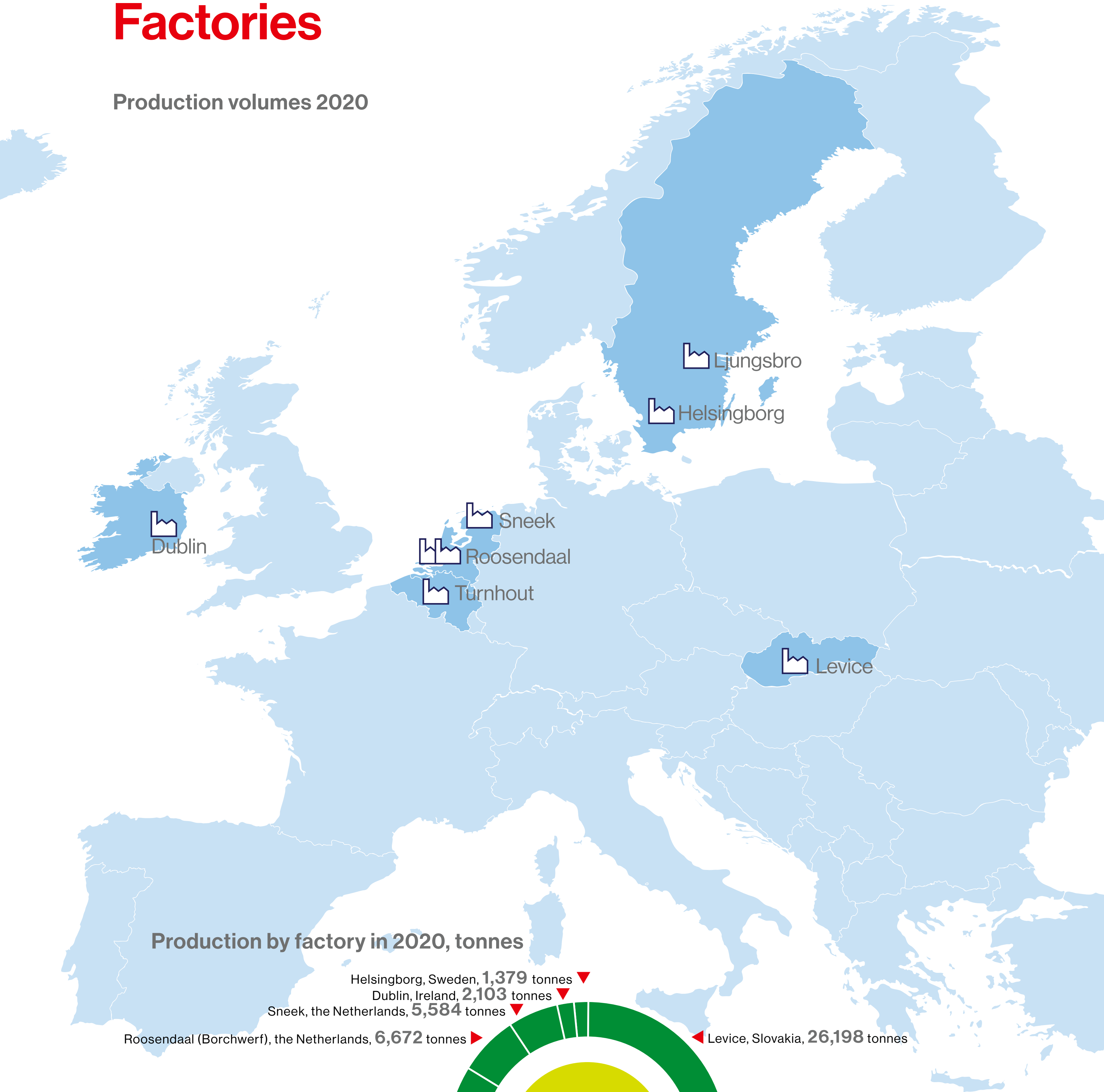
The aim is to exceed consumer expectations through consistent high quality products in terms of safety, flavour, appearance and texture.

Engaged employees

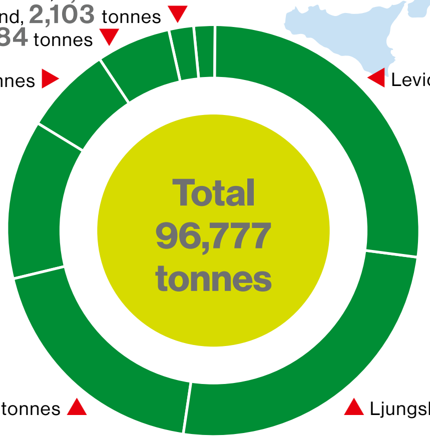
Good communication about processes and goals creates engaged employees who understand the business and how their work contributes to the Cloetta's overall results.

Factories

Production volumes 2020



Production by factory in 2020, tonnes



Levice, Slovakia
Production volume 2020: **26,198 tonnes**
Number of plant employees: **Approx. 755**
Number of machine lines: 15 production lines, 24 packaging lines
Largest brands: Malaco, Red Band, Läkerol, Chewits, Venco, Läkerol Dents, Mynthon
Manufacturing methods: Starch moulding, extrusion, coating, hard and soft-boiled candy and toffee, chocolate enrobing
Certifications: BRC Global Standard for Food Safety and IFS Food

Ljungsbro, Sweden
Production volume 2020: **24,401 tonnes**
Number of plant employees: **Approx. 340**
Number of machine lines: 12 production lines with in-line packing, 3 separate packaging lines and 1 chocolate production centre
Largest brands: Kexchoklad, Ahlgrens bilar, Center, Polly, Plopp, Sportlunch, Juleskum, Tupla
Manufacturing methods: Chocolate moulding, starch moulding, coating and wafer production
Certifications: BRC Global Standard for Food Safety and ISO 14001, RSPO, UTZ, Koscher

Roosendaal (Spoorstraat), the Netherlands
Production volume 2020: **18,272 tonnes**
Number of plant employees: **Approx. 145**
Number of machine lines: 5 production lines, 10 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 2020: **12,168 tonnes**
Number of plant employees: **Approx. 115**
Number of machine lines: 2 production lines, 4 packaging lines
Largest brands: Malaco, Red Band
Manufacturing methods: Starch moulding
Certifications: BRC Global Standard for Food Safety and ISO 14001

Roosendaal (Borchwerf), the Netherlands
Production volume 2020: **6,672 tonnes**
Number of plant employees: **Approx. 65**
Number of machine lines: 7 production lines, 14 packaging lines
Largest brands: Lonka, Chewits, Rollo
Manufacturing methods: Toffee and Nougat manufacturing
Certifications: IFS, GMP and BRC global standard for Food Safety

Sneek, the Netherlands
Production volume 2020: **5,584 tonnes**
Number of plant employees: **Approx. 95**
Number of machine lines: 7 production lines, 14 packaging lines
Largest brands: Sportlife, Jenkki, King
Manufacturing methods: Chewing gum, coating, lozenges and hard-boiled candy
Certifications: IFS, GMP and BRC Global Standard for Food Safety

Dublin, Ireland
Production volume 2020: **2,103 tonnes**
Number of plant employees: **Approx. 50**
Number of machine lines: 1 production line, 10 packaging lines
Largest brands: The Jelly Bean Factory
Manufacturing methods: Starch moulding
Certifications: BRC Global Standard for Food Safety and ISO 14001

Helsingborg, Sweden*
Production volume 2020: **1,379 tonnes**
Number of plant employees: **Approx. 50**
Number of machine lines: 6 production lines, 4 packaging lines
Largest brands: Nutisal, Parrots
Manufacturing methods: Dry roasting, frying and coating of nuts
Certifications: BRC Global Standard for Food Safety

* The Helsingborg factory was closed at the end of 2020 and manufacturing outsourced to a third party.

3

Deliver

Planning and logistics

Delivery accuracy is one of the most critical parameters for the retail trade. Effective supply chain planning ensures the service target, while optimising the utilisation of factories and inventories from raw materials to finished goods. This leads to less capital being tied up in the supply chain and lower operational costs in production and distribution.

Cloetta is running a project to renew our entire supply chain planning process from demand forecasting, service and inventory optimisation, delivery planning, scheduling and integration of third-party suppliers.

During 2020, the company implemented the new system for demand forecasting and inventory optimisation in all markets. The project will continue in 2021 with further roll-outs of supply planning and scheduling processes in the plants, as well as third-party integration. The system also provides data for financial planning and long-term sales and production planning to ensure that all functions in the Group are coordinated. We work continuously to optimise its our flows and working methods, both internally and externally, together with customers and suppliers.

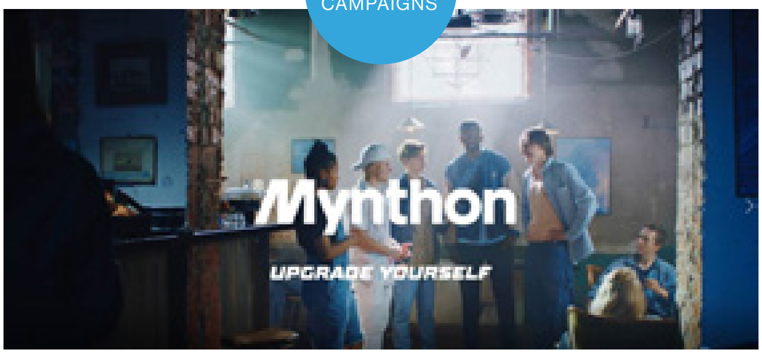
We monitor the cost efficiency of our physical logistics operations continuously. We optimise our warehouse network to balance the delivery-time expectations of our customers with optimal cost efficiency. During 2020, the company closed operations in its warehouse in Norrköping, Sweden, and merged them into another warehouse in Helsingborg.

Consumer and customer feedback

Feedback from individual consumers is extremely valuable in our pursuit of continuous improvement.

Each market has a Consumer Service department that receives, evaluates and responds to feedback and complaints. In the event of quality defects, Consumer Service always contacts the relevant factory. The factory uses the information from complaints to systematically identify root causes and eliminate them, and also monitors trends so as to identify and initiate improvement initiatives to prevent causes for complaints from occurring. In 2020 we improved the collection of consumer complaints which allowed us to get more information and therefore to better prioritise our improvement initiatives. While this generally increased the number of complaints compared to 2019, the situation was mixed with some significant improvements yet some factories missing their targets due to specific process-related issues. Dedicated resources and capex were made available and a significant reduction in complaints was visible at year end.

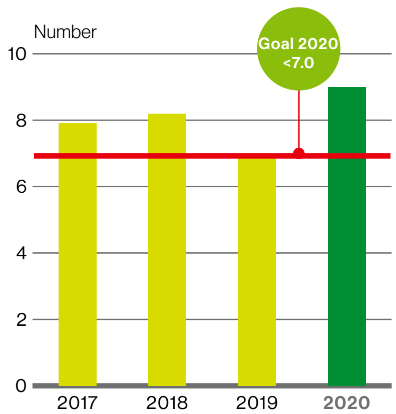
IMPACTFUL CAMPAIGNS



Mynthon

Mynthon's new brand tagline "Upgrade yourself" primarily targets Generation Z. The messaging creates a link between fresh breath and self-confidence, and encourages people to be the best versions of themselves. In 2021, we will build on the concept further to support novelty launches in January and May.

Complaints, feedback per million consumer units sold

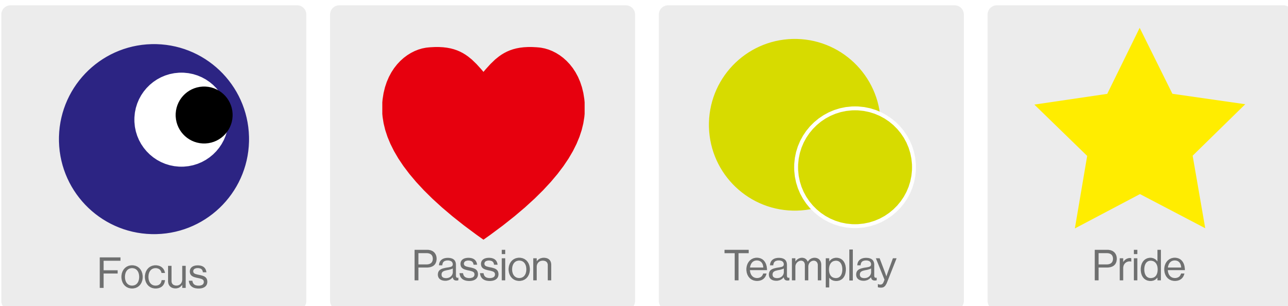


Starting from 2020 we have also included consumer information that was previously classified as feedback due to the lack of clear product references. The numbers related to 2019 were therefore re-calculated on the same basis.

Employees

Cloetta is driven by the conviction that value is created by our employees, and that the ability to attract, retain and develop the best and most competent people is crucial to our success.

Cloetta has four core values that guide how our people work and act, both within and outside the company. These core values are Focus, Passion, Teamplay and Pride.



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

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

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

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

Cloetta Employee Journey is a strategic review of the HR focus areas, which also defines Cloetta as an employer. Employee Journey was developed to provide a simple way to visualise the four overarching HR areas: Attract, Welcome, Develop and Engage.

Attract

Cloetta endeavours to be an attractive employer in the markets where we are active and thereby attract and retain valuable employees.

Recruitment strategy

Cloetta's recruitment strategy to attract the best candidates is continuously developed and improved. The strategy includes recruitment processes for different target groups, best practices per country and training for managers in how to recruit, including a toolkit containing aptitude tests and self-assessment tests. For all positions, selection is based on a job description with a competence specification against which candidates are compared, in combination with an analysis of the different tests and interviews.

Welcome

"Cloetta Tasting" is an introduction program that was rolled out in all countries last year. The program includes welcome meetings, online courses, films and a welcome candy tub, which is also full of tasks for newcomers to complete during their induction period.

Develop

We use the 70-20-10 method for learning, whereby 70 per cent happens when working, 20 per cent together with others and 10 per cent through formal training.

A key aspect of employee development is Cloetta's annual performance management process, during which managers and employees evaluate and discuss objectives, behaviour and performance. This process is supported by the Workday system.

Several Cloetta-specific courses in different areas are being developed into different academies. The core idea of an academy is to share best practice both internally and outside Cloetta. Within manufacturing, the core course is linked to continuous improvement under the banner of Perfect Factory. Within sales, the different countries collate knowledge to create the Perfect Store, for example how to create effective checkout counters, and other priorities for the sales organisation. Within marketing, seminars are organised that take a deeper look at marketing with people sharing experiences, for example regarding the future model of brand platforms. In 2020, due to Covid-19, the use of digitalisation tools has increased and they have been adopted faster and positively. These tools are constantly improved so that they can be used creatively and interactively.

Leadership

Cloetta's management tool, Management Drives, includes analyses that map out what drives each employee, what energises them and what drains them of energy. The tool helps both managers and employees to become aware of their own motivations and thereby the kind of work approach they are best suited to. The tool has also been developed for Cloetta competencies.

We have a special process, supported by the Workday system, for talent and succession management, that aims at growing individuals and the organisation. There is a particular focus on potential Group Management Team candidates.

During 2020, the world went through drastic changes due to Covid-19. We do not yet know what the "new normal" will be. However, during this time of constant change, it is important to focus on the well-being of our employees, and be as clear, open and engaged as possible. It is important for us to stay close to our employees even when we cannot meet face to face. At Cloetta we have discussed and sent out Tips and Tricks to leaders and employees.

Engage

Our organisation is made up of multi-cultural and internationally experienced people that work in an open environment. We work continuously to improve the workplace environment. Our goal is to provide a healthy workplace environment in which all individuals feel safe and appreciated and have the opportunity to grow.

Cloetta encourages people to have a good work-life balance. Both men and women should be able to combine work with home and family, therefore Cloetta supports flexible working, to the extent possible.

Ours is a workplace where diversity and employees' different qualities, knowledge and skills are respected, regardless of gender, gender neutrality or expression, ethnic background, religion, other faith, physical disability, sexual orientation or age. Cloetta has zero tolerance for discrimination and ensures that everybody is given the chance to provide feedback in meetings, through employee surveys or via the whistleblower service. Questions related to harassment and discrimination are included in the employee survey.

Cloetta's Sustainability Agenda consists of three pillars: For You, For People, For the Planet (read more on pages 14–27). The part focusing on People encompasses ensuring a safe and enjoyable workplace for our employees. Activities described under Engage are key elements in our efforts for happy and healthy people.

Cloetta Energy

Through a healthy workplace environment, employees are supported in managing stress and a heavy workload. The Cloetta Energy program is a fun and engaging way to promote well-being and a sustainable, healthy lifestyle, and thereby workplace happiness. Using common themes and through local implementation, the program focuses on strengthening employee health and vitality and also supports well-being and engagement. In 2020, this program had to be adapted to the new ways of working, focusing on how the areas below impact employee health, with an extra focus on Covid-19. Examples include physical exercises when sitting working at home, and mindful reflections in worrying times.

Four areas of Cloetta Energy include:
Body – physical wellbeing
Brain – mental wellbeing
Behaviour – healthy habits
Building – home and workplace environment
(see image on page 61)

Safety first

Continuous improvement and development of workplace safety programs is a natural part of our operations. We aim to create a good physical workplace environment and a healthy workplace climate where everybody feels safe. Read more about our safe and healthy workplace on page 61.

Employee survey

During the last 10 years, Cloetta has conducted the Great Place to Work employee survey. Our objective is to create a strong corporate culture characterised by trust, pride and enjoyment. It is essential that there is a genuine interest in how employees perceive their place of work, what they appreciate and what they feel needs to be improved.

In 2020, Cloetta researched the market for a new supplier. In the first quarter of 2021, Brilliant will be launched as the new Cloetta employee survey. The focus will be on employee engagement, which will highlight how clear and engaging the managers are in each team. Well-being and teamplay are two further topics that will be monitored.

In 2020, we also conducted surveys to learn more about remote working. The outcomes from these surveys, as well as feedback and workshops on the topic, will form the basis of our remote-office policy.

Salary and remuneration

To ensure a clear framework and strategy for Cloetta's remuneration and salary structure, we are benchmarking the area with the help of a consulting firm. Remuneration for all positions at Cloetta is being compared with equivalent positions at other FMCG companies. This comparison is being done for all of our countries of operation. The result provides a good basis for upcoming salary revisions, where the current salary level and the yearly performance are important parameters. The Group Management Team and a number of other key people are part of a long-term share-based incentives program. Other remuneration varies from country to country based on local laws.

Code of Conduct

The purpose of Cloetta's Code of Conduct is to ensure that our employees and business partners have a clear understanding of the principles and ethical values that Cloetta upholds. The code applies to all employees and all other parties who act on behalf of Cloetta, including temporary employees, consultants, contractors and members of the Board, within the entire Cloetta organisation. All employees and other representatives have a responsibility to adhere to the code. Employees should also be aware of Cloetta's other policies and guidelines as they may provide further guidance and information.

Cloetta's whistleblower portal gives employees the opportunity to report suspected deviations from our Code of Conduct anonymously.

Number of employees

The average number of employees in 2020 was 2,653 (2,629), 77 per cent (82) of which are covered by collective agreements. In production there are certain periods with a higher workload, such as ahead of Easter and Christmas, when extra staff is hired. Other areas of operation also use temporary and extra staff. 14 per cent (14) of the employees (headcount) were temporary staff at the year end.

A safe and healthy workplace

Occupational health & safety is fundamental to Cloetta. We aspire to create a sustainable organisation that drives towards our targets through engaged, motivated and healthy employees. Our Health & Safety strategy involves improving the physical, social and organisational workplace environment at all levels of the organisation.

A healthy and safe workplace

Employee health and safety is at the core of our sustainability fundamentals. We want to provide a safe workplace for all our employees and people who perform work on behalf of Cloetta. In 2020, we established a Health & Safety strategy and roadmap that supports our journey from a reactive to a preventive state of mind. The main ingredient in this program is a strong safety culture, which will be defined and implemented so as to prevent injuries and risks while promoting well-being at all levels.

Towards a preventive state of mind

We have had a particular emphasis on health and safety during recent years, with the ultimate target of zero accidents. The most frequent types of accidents at Cloetta are related to human behaviour, machine-safety, and unforeseen risks at our production sites. For our office personnel the main health and safety risks are connected to travel. In improving safety and averting risks, a proactive, preventive approach is the most important tool. This includes increasing our employees' safety awareness, observing risks systematically and auditing our safety practices. We also encourage reporting unsafe acts and conditions, and performing safety observation talks when both positive and negative situations are witnessed.

Within manufacturing, health and safety is mainly driven through the Cloetta Leading Performance Practices (CLPP) and the systematic approach to achieving a perfect factory. Read more on pages 53–54. The systematic approach is called Cloetta Operating System (COS), with health and safety forming one part of the foundation. The COS structure is aligned with the Health & Safety strategy and roadmap 2030 and supports the cultural journey towards a preventive state of mind.

Health and safety performance

We are delighted that our efforts are paying off, as evidenced by our performance versus objectives and targets.

Lost time accidents (LTA) have reduced by 47 per cent compared to the 2019 year-end result. The number of LTAs in 2020 was 9, and in 2019 it was 17.

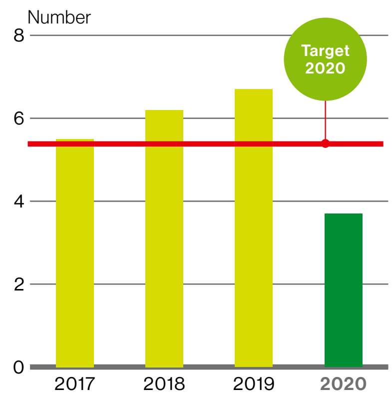
The lost time incident rate (LTIR) has reduced by 45 per cent compared to the 2019 year-end result. The rate for 2020 was 3.7, compared to 6.7 in 2019.

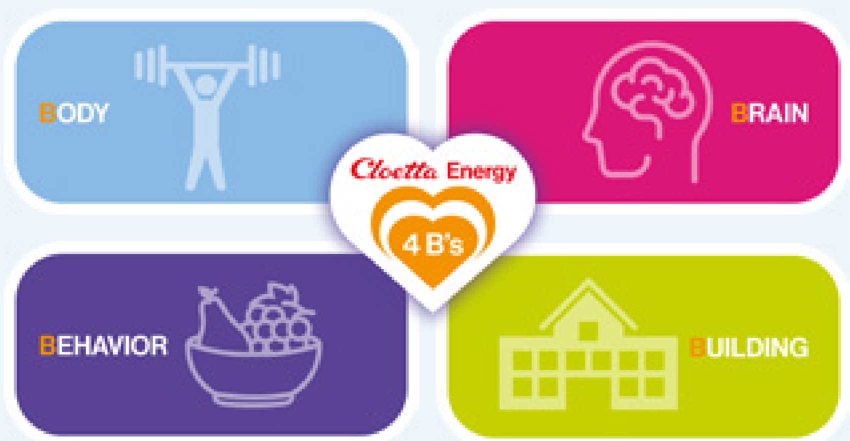
The total injury rate (TIR) consists of lost-time accidents, recordable accidents and first-aid injuries. The results for 2020 show an increase in the reported number of first-aid injuries, which impacts the KPI negatively by 22 per cent compared to the 2019 year-end result. This result indicates improved awareness, training and reporting of accidents.

Total recordable injury rate (TRIR) consists of lost time accidents and recordable accidents. There was a decrease in the injury rate of 24 per cent compared to 2019.

Unsafe acts and conditions decreased by 8 per cent compared to 2019. One reason for the improved awareness and focus on safety is reflected in the 45 per cent increase in safety conversations taking place; 9,992 talks during 2020, compared to 6,870 talks in 2019.

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





Cloetta's vitality program stimulates health and happiness in four ways:

Body – we take care of our physical health to meet our challenges with energy.

Brain – we manage our mental health to deal with difficult situations and stress.

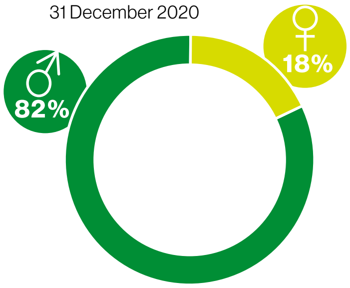
Behaviour – we make healthy choices and stimulate others so we can create a healthy work culture.

Building – we create a safe and healthy workspace to feel comfortable and perform well.

Facts about Cloetta's employees

Gender distribution, Group Management Team

31 December 2020



Gender distribution, all employees

31 December 2020

Number of employees by category and region as per 31 December 2020

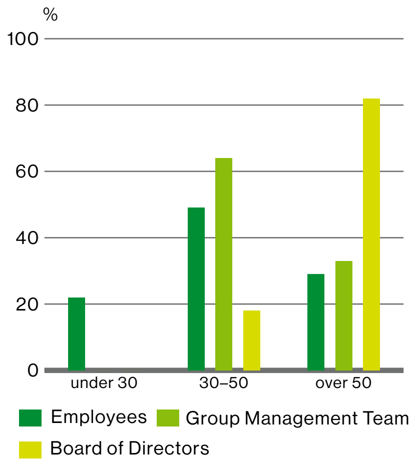
	Number of employees		Number of permanent employees		Number of temporary employees	
	Women	Men	Women	Men	Women	Men
Sweden	397	309	371	299	26	10
Slovakia	468	288	414	241	54	47
Netherlands	185	355	152	293	33	62
Finland	276	54	176	39	100	15
UK	172	56	168	55	4	1
Belgium	30	89	21	77	9	12
Denmark	67	48	67	47	–	1
Ireland	24	43	19	28	5	15
Norway	14	18	13	18	1	–
Germany	10	5	9	5	1	–
Italy	1	2	1	2	–	–
Others	3	3	3	3	–	–
Total Cloetta	**1,647**	**1,270**	**1,414**	**1,107**	**233**	**163**

See note 5 for average number of employees per country.

Gender distribution, Board of Directors

31 December 2020

Age distribution



"Sweet spot for your career" is Cloetta's employer branding slogan that has evolved further during the year. A common communication platform for employer branding has been created consisting of a common career portal, a common recruitment tool and integration with LinkedIn and other social media channels to reach the identified target groups.

There are many benefits to working at Cloetta:

- **Impact** – the chance to make a difference – our company offers the best of two worlds: both international and local, large-scale and small-scale, personal and professional, challenging and decisive, free and responsible.
- **Fun** – Not only does Cloetta have fun products, our people also have fun on the job. Cloetta offers products that create joy, which is evident in our welcoming culture that is built on authenticity and camaraderie and where having fun together at work is encouraged. This is an important basis for creating an innovative, open and inclusive working climate.
- **Strong brands** – Cloetta was founded in 1862 and is famous for its well-known, strong local brands in categories including candy, chocolate, nuts, pastilles, chewing gum and pick & mix.

Share and shareholders

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

Seven reasons to invest in Cloetta

Strong local brands 1

Cloetta has an extensive portfolio of strong local brands that are well established in the minds of the consumers. Our brands have been cherished for generations and consumers have a personal relationship with the brands they have grown up with.

Attractive non-cyclical market 2

The confectionery market is relatively insensitive to economic fluctuations and shows stable growth that is primarily driven by population trends and price increases. Historically, annual market growth has been between one and two per cent.

Focus on continued margin expansion 3

In order to move towards our financial target to reach an adjusted EBIT margin of at least 14 per cent, there will be a continued focus on cost-effectiveness, growth and profitability.

Clear strategy to deliver growth 4

In order to drive growth, the most important daily activities include broadening distribution, updating packaging, promotional and advertising activities, line extensions and launching of seasonal products. In addition to these, strategic activities such as innovation, geographical roll-outs, brand extensions and brand relaunches are also given priority. Selective acquisitions are also part of our growth strategy.

Strong market positions and distribution 5

In our core markets, we have strong sales and marketing organisations that have excellent relations with the retail trade. Cloetta's wide portfolio of market-leading products creates economies of scale, and our brands are often highly important to the retail trade.

Attractive cash-flow generation and dividend 6

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

Sustainable value creation 7

Our Sustainability Agenda takes a holistic perspective on how to create long-term value. This approach reduces environmental and social risks, and strengthens partnerships for our future.

Shareholders[1]

At 31 December 2020, Cloetta AB (publ) had 34,859 (24,910) shareholders, an increase of 40 (4) per cent since the previous year-end. Of the shareholders, 1,538 were financial and institutional investors and 33,321 were private investors. Financial and institutional investors held 86.0 per cent of the votes and 83.5 per cent of the share capital.

There were 1,213 foreign shareholders who held 35.3 per cent of the votes and 41.6 per cent of the share capital. The 15 largest shareholders accounted for 64.3 per cent of the votes and 58.2 per cent of the share capital. At 31 December 2020, AB Malfors Promotor was Cloetta's largest shareholder with a holding representing 39.2 per cent of the votes and 28.4 per cent of the share capital in the company. The second largest shareholder was Wellington Management, with 4.1 per cent of the votes and 4.8 per cent of the share capital, and the third largest shareholder was Dimensional Fund Advisors with 2.6 per cent of the votes and 3.1 per cent of the share capital.

Share price and trading[2]

Between 1 January and 31 December 2020, 228,523,961 Cloetta shares were traded on Nasdaq Stockholm for a total value of SEK 5,581m, equal to around 81 per cent of the total number of class B shares at the end of the period. Trading on Nasdaq Stockholm accounted for 49.3 per cent, and other markets where the Cloetta share was traded include Cboe Global Markets at 38.2 per cent, LSE Group at 3.1 per cent, Aquis at 4.8.

The highest quoted bid price during the period from 1 January to 31 December 2020 was SEK 34.18 on 31 January 2020, and the lowest bid price was SEK 20.48 on 4 November 2020. The share price on 31 December 2020 was SEK 24.52 (last price paid). During the period from 1 January to 31 December 2020, Cloetta's share price decreased by 22.6 per cent, while Nasdaq OMX Stockholm PI increased by 12.9 per cent.

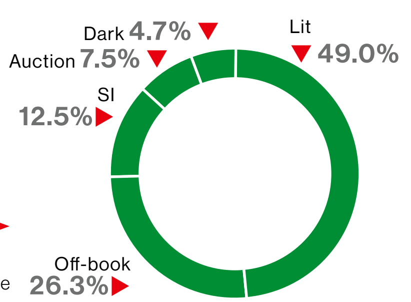
The share's beta and standard deviation[3]

The price volatility of an individual share compared to the market as a whole is known as its beta. A beta of greater than 1 indicates that the share price is more volatile than the market average. The Cloetta share's beta in 2020 was 0.76 (0.45), which means that the Cloetta share was less volatile than the average on Nasdaq Stockholm. The Cloetta share had a standard deviation of 2,2 per cent (1.6) in 2020. Standard deviation is a measure of the share's variability from its average value for the measurement period, i.e. how volatile the share was during the year.

LIT, i.e. buy-and-sell orders are public. Traditional exchange trading. Off-book, stock trades that are executed away from the exchange and are registered later.
Off-book, stock trades that are executed away from the exchange and are registered later.
SI, Systematic Internalisers, outside regulated markets or trading platforms.
Auction, auction trading process on an exchange.
Dark buyers and sellers trade shares anonymously, without public transparency. Not registered on any public exchange.

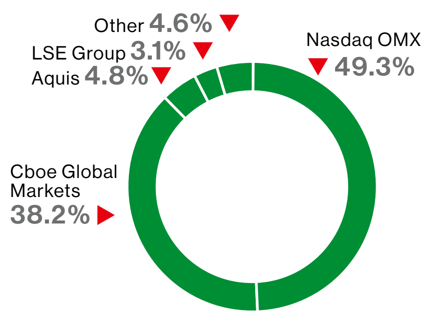
1 Source: Euroclear and Monitor
2 Source: Nasdaq Stockholm and Modular Finance
3 Source: SIX

Trading categories, %
1 January–31 December 2020



Source: Modular Finance

Marketplaces, %
1 January–31 December 2020



Source: Modular Finance

Share capital and capital structure

Cloetta's share capital at 31 December 2020 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, divided between 5,735,249 class A shares and 282,884,050 class B shares, equal to a quota value per share of SEK 5. According to the Articles of Association, the share capital shall amount to not less than SEK 400,000,000 and not more than SEK 1,600,000,000, divided between no less than 80,000,000 shares and no more than 320,000,000 shares.

Dividend policy

Cloetta's long-term goal is a dividend payout of 40–60 per cent of profit for the year. The ambition is for the cash flow to be used for dividends, but that it should also provide financial flexibility for complementary acquisitions. Neither the Swedish Companies Act nor Cloetta's Articles of Association contain any restrictions regarding the right to dividends for shareholders outside Sweden. Aside from any limitations related to banking or clearing activities in the affected jurisdictions, payments to foreign shareholders are carried out in the same manner as to shareholders in Sweden. A dividend of SEK 144m was transferred to the shareholders in 2020. For 2020 the Board proposes a dividend of SEK 0.75 (0.50) per share, which is equal to 77 per cent (29) of the profit for the year. The dividend is resolved on by the Annual General Meeting (AGM) and disbursement is handled by Euroclear Sweden AB. The right to a dividend is granted to those persons who are listed as shareholders in the share register maintained by Euroclear Sweden AB on the record date.

Articles of Association

Cloetta's Articles of Association contain a Central Securities Depository (CSD) provision and its shares are affiliated with Euroclear Sweden AB, which means that Euroclear Sweden AB administers the company's share register and registers the shares to owners. Each A share grants ten votes and each B share one vote in shareholder meetings. All shares grant equal entitlement to the company's profits and an equal share in any surplus arising from liquidation. Should the company issue new shares of class A and class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new class B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a 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.

Individuals with an insider position

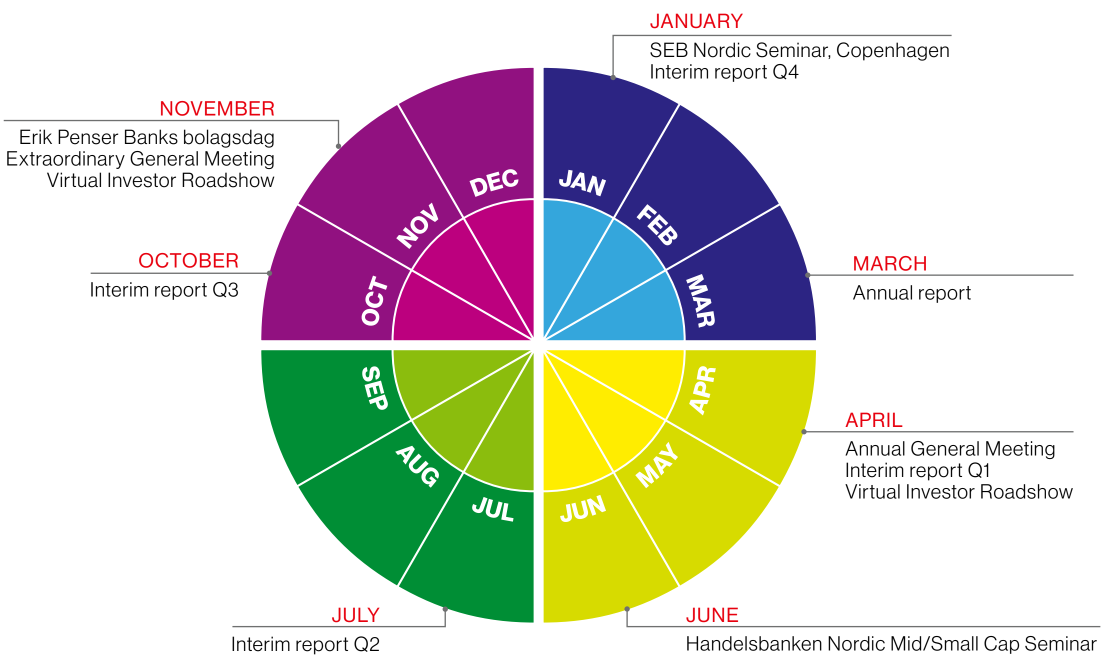
Persons discharging managerial responsibilities for Cloetta and persons or legal entities closely associated with them are obliged to notify Cloetta and the Swedish Financial Supervisory Authority of every transaction conducted related to changes in their holdings of Cloetta shares once a total amount of EUR 5,000 has been reached within a calendar year, according to the regulation of the European Parliament and of the Council on Market Abuse. Listed companies are required to record a logbook of individuals who are employed or contracted by the company and have access to insider information relating to the company. These can include insiders, and also other individuals who have obtained inside information. Cloetta records a logbook for each financial report or press release containing information that could affect the share price.

Silent periods

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

Investor relations 2020

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



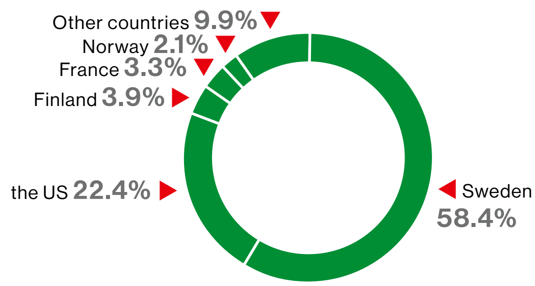
15 largest shareholders at 31 December 2020

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Aktiebolaget Malfors Promotor	39.2	28.4	81,959,542	5,729,569	76,229,973
Wellington Management	4.1	4.8	13,878,706	–	13,878,706
Dimensional Fund Advisors	2.6	3.1	8,951,687	–	8,951,687
Franklin Templeton	2.5	3.0	8,647,658	–	8,647,658
La Financiére de l'Echiquier	2.4	2.9	8,308,301	–	8,308,301
PRI Pensionsgaranti	1.9	2.3	6,543,850	–	6,543,850
Nordea Fonder	1.7	2.1	5,927,989	–	5,927,989
Vanguard	1.6	1.9	5,395,424	–	5,395,424
Norges Bank	1.6	1.8	5,337,880	–	5,337,880
Ulla Håkanson	1.5	1.7	5,000,000	–	5,000,000
Avanza Pension	1.4	1.7	4,803,055	–	4,803,055
Ohio Police and Fire Pension Fund	1.1	1.3	3,792,200	–	3,792,200
Olof Svenfelt	0.9	1.1	3,175,030	30	3,175,000
Thompson, Siegel & Walmsley LLC	0.9	1.1	3,172,800	–	3,172,800
Didner & Gerge Fonder	0.9	1.0	3,008,180	–	3,008,180
Total, 15 largest shareholders	**64.3**	**58.2**	**167,902,302**	**5,729,599**	**162,172,703**
Other shareholders	35.7	41.8	120,716,997	5,650	120,711,347
Total	**100**	**100**	**288,619,299**	**5,735,249**	**282,884,050**

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

Shareholder countries, % share of capital

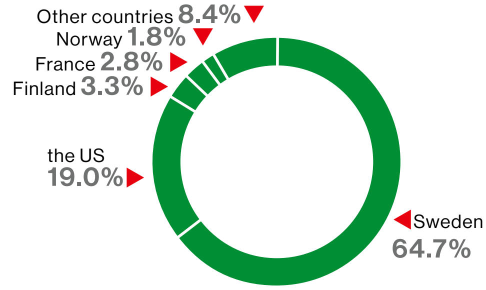
31 December 2020



Source: Euroclear and Monitor by Modular Finance AB

Shareholder countries, % of votes

31 December 2020



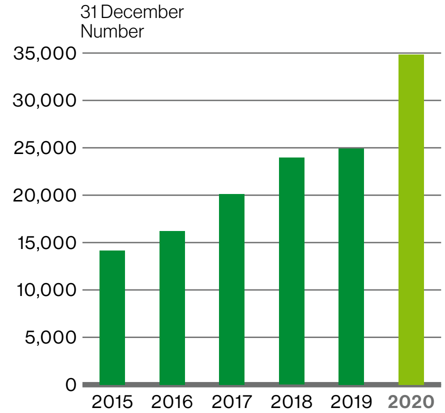
Source: Euroclear and Monitor by Modular Finance AB

Size categories at 31 December 2020

	No. of share-holders	Total no. of shares	No. of A-shares	No. of B-shares	Capital, %	Votes, %
1 – 500	24,879	3,326,803	3,254	3,323,549	1.2	1.0
501 – 1,000	3,969	3,318,878	500	3,318,378	1.1	1.0
1,001 – 5,000	4,557	10,915,334	1,782	10,913,552	3.8	3.2
5,001 – 10,000	682	5,248,846	0	5,248,846	1.8	1.5
10,001 – 15,000	191	2,427,821	0	2,427,821	0.8	0.7
15,001 – 20,000	136	2,516,075	0	2,516,075	0.9	0.7
20,001 –	445	260,865,542	5,729,713	255,135,829	90.4	91.9
Total	**34,859**	**288,619,299**	**5,735,249**	**282,884,050**	**100**	**100**

Source: Euroclear

Number of shareholders



Source: Euroclear

Shareholders by country at 31 December 2020

	No. of share-holders	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	33,646	64.7	58.4	168,597,704	5,735,249	162,862,455
the US	55	19.0	22.4	64,655,931	–	64,655,931
Finland	222	3.3	3.9	11,178,091	–	11,178,091
France	13	2.8	3.3	9,479,906	–	9,479,906
Norway	90	1.8	2.1	6,084,574	–	6,084,574
Other countries	833	8.4	9.9	28,623,093	–	28,623,093
Total	**34,859**	**100**	**100**	**288,619,299**	**5,735,249**	**282,884,050**

Source: Monitor by Modular Finance AB

Shareholder categories at 31 December 2020

	No. of share-holders	% of share-holders	% of votes	% of share capital
Private investors	33,321	95.6	14.0	16.5
Of which, Swedish residents	*33,116*	*95.0*	*13.9*	*16.4*
Legal entities	1,538	4.4	86.0	83.5
Of which, Swedish residents	*626*	*1.8*	*52.4*	*44.0*
Total	**34,859**	**100.0**	**100.0**	**100.0**
Of which, Swedish residents	*33,742*	*96.8*	*66.3*	*60.4*

Source: Euroclear

Development of the share

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

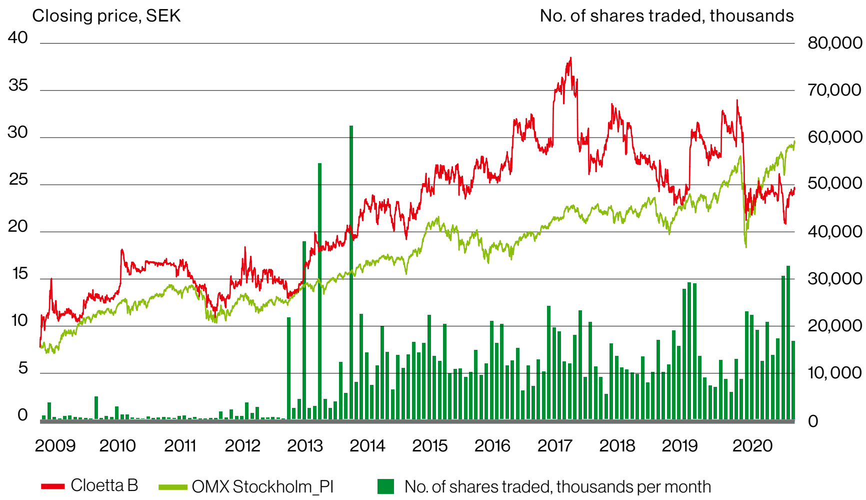
Source: Euroclear

Incentive schemes

The table below represents the main characteristics of the share-based long-term incentive plans that have been approved by the AGM. For more information about the incentive plans, see pages 88–89, and Note 23 on pages 128–129.

	LTI 2020	LTI 2019	LTI 2018	LTI 2017	LTI 2016
AGM approval date	2 April 2020	4 April 2019	16 April 2018	4 April 2017	12 April 2016
Maximum number of B shares to be allocated	1,206,374	1,648,046	1,201,602	1,221,698	1,524,100
as a percentage of total shares	0.4	0.6	0.4	0.4	0.5
as a percentage of voting rights	0.4	0.5	0.4	0.4	0.4
Number of employees offered the opportunity to participate	45	45	54	70	73
Number of participants at inception date	30	30	44	49	49
Estimated number of B shares to be allocated, subject to possible recalculation	1,021,771	523,046	138,441		
as a percentage of total shares	0.4	0.2	0.0		
as a percentage of voting rights	0.3	0.2	0.0		
Number of participants at reporting date	28	25	32		
Vesting date				28 April 2020	29 April 2019
Realised performance target, %				0.0	0.0
Actual number of matching shares granted on vesting date				95,264	109,369
Actual number of performance shares granted on vesting date				–	–
Total number of B shares granted on vesting date				**95,264**	**109,369**
as a percentage of total shares				0.0	0.0
as a percentage of voting rights				0.0	0.0
Number of participants at vesting date				30	30

Share price performance



Source: WebfinacialGroup

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Analysts

The following analysts regularly monitor Cloetta's development:

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Nordea: Stefan Stjernholm, stefan.stjernholm@nordea.com

SEB: Andreas Lundberg, andreas.lundberg@seb.se

NASDAQ STOCKHOLM

Share data

Marketplace	Nasdaq Stockholm
Date of listing	16 February 2009
Segment	Mid cap
Sector	Food Producers, Food & Beverage and Consumer Goods
Ticker symbol	CLA B
ISIN code	SE0002626861
Currency	SEK
Standard trading unit	1 share
No. of shares in issue	288,619,299 A and B shares
Highest price paid in 2020	SEK 34.18 (31 January 2020)
Lowest price paid in 2020	SEK 20.48 (4 November 2020)
Last price paid 2020	SEK 24.52
Share price growth in 2020	–22.6 per cent
The share's beta against SIXGX	0.76 (0.45)
The share's standard deviation	2.2 (1.6)

Frequently asked questions to Cloetta

How will you meet your margin target?

The long-term goal of an adjusted EBIT margin of at least 14 per cent will be achieved through the following three prioritised focus areas: *Growing the branded packaged business, bringing sustainable value to pick & mix as well as reducing costs and driving efficiencies across the organisation.* In addition, emphasis will be placed on recovering the volumes lost due to Covid-19.

How will you regain the profitability in your pick & mix business?

Following the impact of Covid-19, the total Cloetta pick & mix business generated a negative EBIT of approximately SEK 135m in 2020, compared to a profit in 2019. Rebuilding our volumes is critical for recovering the profitability in pick & mix. To actively rebuild the volumes, we have successfully worked with our customers to ensure that the previously closed pick & mix fixtures remain open. The next step is to support our customers to fully reinstate consumer activation as the suppressing effect of the pandemic gradually eases. In 2021, we will accelerate the launch of the upgraded CandyKing offering, with increased emphasis on hygiene, to regain consumer confidence. We will also continue to increase prices when necessary and discontinue unprofitable contracts.

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

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

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

In 2020, we reached our target net debt/EBITDA ratio of around 2.5x for the fifth consecutive year, we therefore deem that we have the capacity for both acquisitions and share dividends. The dividend pay-out ratio should be 40 to 60 per cent of net profit. However, we are currently not planning to reduce the net debt/EBITDA ratio to a level much lower than 2.5x.

What is your pricing strategy?

We adjust our prices based mainly on fluctuations in raw material costs and exchange rates. This means that over time, Cloetta will hopefully avoid the impact of cost trends in raw materials. Sometimes we also adjust prices in conjunction with initiatives such as new product launches or changes in packages.

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

For those seeking an alternative to products with sugar, Cloetta offers options such as nuts, chewing gum with xylitol and pastilles. Additionally, we are offering candy with lower sugar and no sugar.

We also believe that the major challenge in this context is hidden sugar, i.e. the sugar hidden in everyday food products like breakfast cereals, yoghurt, bread, etc., and to a certain extent also carbonated beverages. Cloetta's products are among the most honest, since all consumers are aware that they contain sugar.

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

In general, we have to count on the possibility that different countries will both introduce and abolish sugar and confectionery taxes from time to time. When different taxes are introduced it naturally affects our sales, but only to a fairly minor extent since our products are of a type that consumers want, and can afford to treat themselves to, despite price increases.

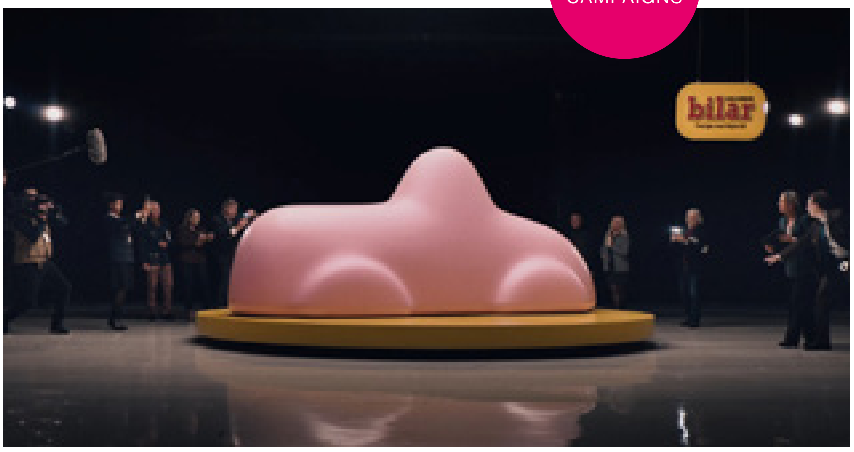
Why do you use palm oil in your products?

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

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

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

IMPACTFUL CAMPAIGNS



New TV commercial for Ahlgrens bilar (cars)

For the first time ever, Ahlgrens bilar moved outside the animated world and featured in a TV commercial. The venture breathed new life into our well-known tagline "there's only one way to stop it". The commercial is set at an international car show, where Ahlgrens bilar is of course in the limelight. A team from a competing car brand is not too happy with all the attention Ahlgrens bilar gets, but still has a hard time resisting Sweden's best-selling car...

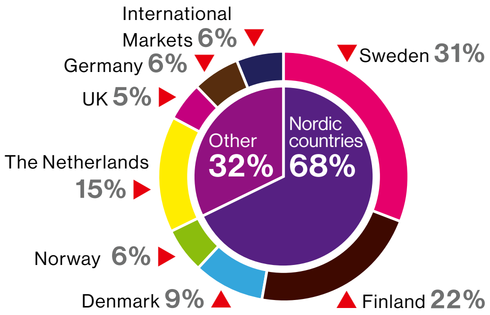
Financial performance

Net sales and profit

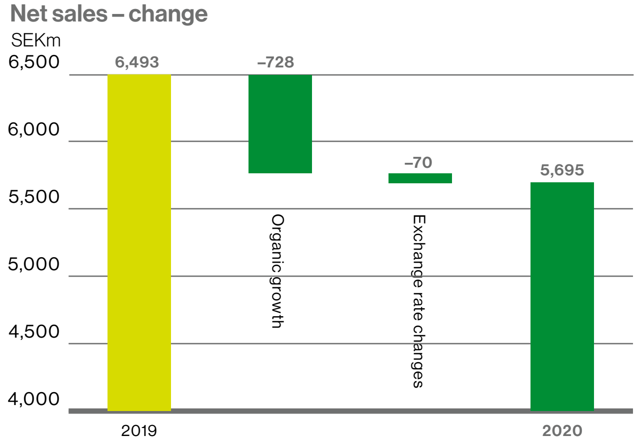
Condensed consolidated profit and loss account

SEKm	2020	2019
Net sales	5,695	6,493
Cost of goods sold	–3,718	–4,112
Gross profit	**1,977**	**2,381**
Selling expenses	–951	–1,011
General and administrative expenses	–564	–643
Operating profit	**462**	**727**
Net financial items	**–59**	**–79**
Profit before tax	**403**	**648**
Income tax	–122	–150
Profit for the year	**281**	**498**

Cloetta's net sales by country



Net sales – change



Net sales

Net sales for the year decreased by SEK 798m to SEK 5,695m (6,493) compared to last year. Organic growth was –11.2 per cent and exchange rate differences were –1.1 per cent. Sales of branded packaged products declined by –3.9 per cent. Pick & mix sales declined by –34.5 per cent.

Sales of branded packaged goods account for 79 per cent (73) of total sales, and pick & mix accounts for 21 per cent (27) of total sales. Divided by category, candy accounts for 59 per cent (59) of sales and chocolate accounts for 17 per cent (17). Pastilles account for 12 per cent (12), chewing gum for 7 per cent (6), nuts for 3 per cent (4) and other products for 2 per cent (2).

Sales in seven main markets

Cloetta has seven main markets, of which Sweden is the largest with around 31 per cent (31) of Cloetta's sales. The second largest market is Finland with 22 per cent (21). The Netherlands accounts for 15 per cent (14), Denmark for 9 per cent (10), Norway for 6 per cent (5), Germany for 6 per cent (6) and the UK for 5 per cent (7).

Sales of branded packaged products grew in Norway, Sweden and Finland, but declined in Denmark, the Netherlands Germany, the UK and International Markets. Sales of pick & mix were stable in Norway but declined in Sweden, Denmark, Finland and the UK.

International Markets

In addition to the main markets, Cloetta's products are sold through distributors in more than 50 International Markets. Sales in other markets decreased in 2020 and accounted for 6 per cent (6) of Cloetta's sales.

Pricing strategies

In Cloetta's main markets the grocery trade is consolidated with few, very large retail chains. In total, Cloetta's ten largest customers accounted for around 51 per cent (46) of the Group's sales.

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

Gross profit

Gross profit amounted to SEK 1,977m (2,381), which is equal to a gross margin of 34.7 per cent (36.7).

Operating profit

Operating profit amounted to SEK 462m (727). Operating profit, adjusted for items affecting comparability, amounted to SEK 515m (743). The decrease in adjusted operating profit was driven by lower gross profit and increased marketing investments, partly mitigated by continued strong cost control and lower costs for incentive programs.

Items affecting comparability

Operating profit for the year includes items affecting comparability of SEK –53m (–16) which are mainly costs related to the impairment of assets in connection to the outsourcing of nuts manufacturing, additions to the reorganisation provisions for the outsourcing of nuts manufacturing and reorganisation in Sweden.

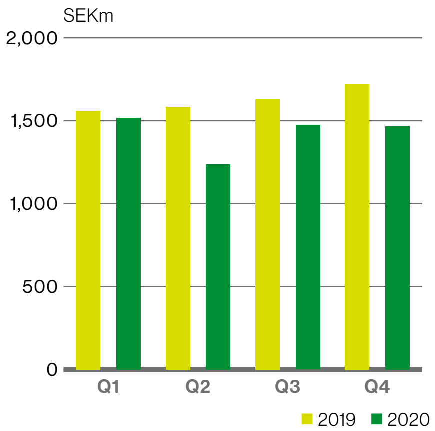
Employees

The average number of employees was 2,653 (2,629).

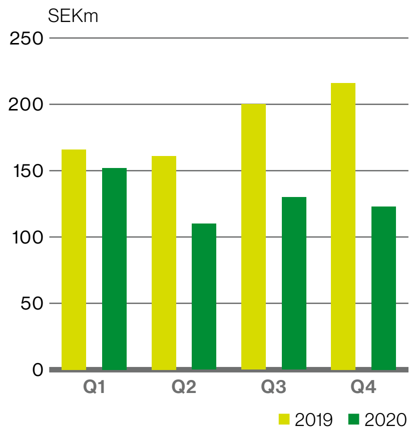
Research and development

Costs for research and development (R&D) were charged to operating profit in an amount of SEK 26m (35) and are primarily attributable to the development of new product and brand varieties as well as packaging solutions within the framework of the existing product range. No expenses for research and development have been capitalised.

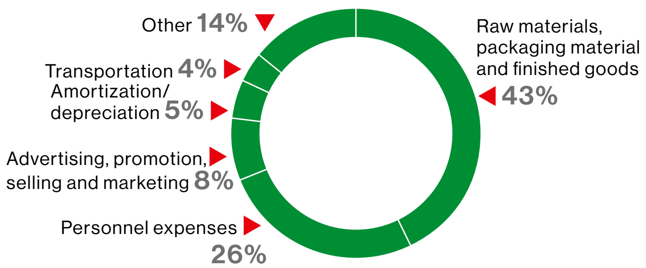
Net sales



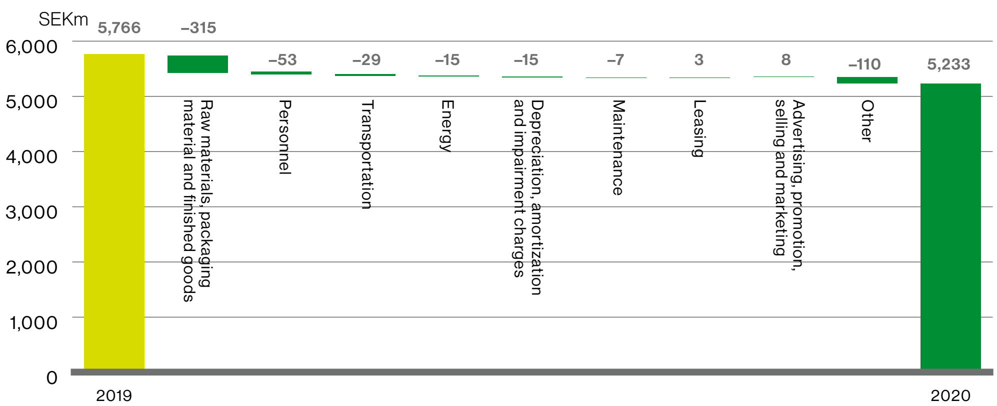
Operating profit, adjusted



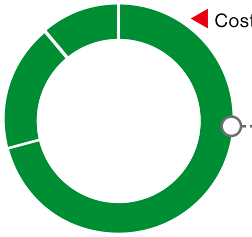
Operating expenses



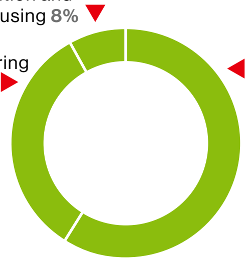
Total operating expenses – change
including cost of goods sold



Total operating expenses



Cost of goods sold



Quarterly data

	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Net sales, SEKm	5,695	1,466	1,474	1,237	1,518	6,493	1,722	1,629	1,583	1,559
Operating profit, SEKm	462	121	87	105	149	727	209	195	159	164
Operating profit, adjusted, SEKm	515	123	130	110	152	743	216	200	161	166
Operating profit margin, %	8.1	8.3	5.9	8.5	9.8	11.2	12.1	12.0	10.0	10.5
Operating profit margin, adjusted, %	9.0	8.4	8.8	8.9	10.0	11.4	12.5	12.3	10.2	10.6

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 the quarter in which it occurs. In the fourth quarter, sales are usually higher than in the first three quarters of the year, which is mainly attributable to the sale of products in Sweden in connection with the holiday season.

Net financial items

Net financial items for the year amounted to SEK –59m (–79). Interest expenses related to external borrowings were SEK –32m (–29), exchange differences on cash and cash equivalents were SEK –10m (–19) which mainly related to the development of the Swedish and Norwegian krona against the euro during the year. Other financial items amounted to SEK –17m (–31). Of the total net financial items SEK 57m (–33) is non-cash in nature.

Net financial items

SEKm	2020	2019
Exchange differences on cash and cash equivalents in foreign currencies	–10	–19
Other financial income	2	2
Unrealised gains or losses on single currency interest rate swaps	1	–1
Interest expenses on third-party borrowings and realised losses on single currency interest rate swaps	–32	–29
Interest expenses, third-party pensions	–7	–11
Interest expenses, contingent earn-out liabilities	–	–4
Other financial expenses	–13	–17
Net financial items	**–59**	**–79**

Sensitivity analysis

The effects on profit before tax of changes in the Swedish krona against the euro, interest rate and average raw material prices are shown below. These are estimated effects which could occur with an isolated change in each variable and should be interpreted with caution. The calculations are hypothetical and should neither be considered as an indicator of either of these factors being more or less likely to change, nor the size of the magnitude of the change. Real changes and their effects may be larger or smaller than presented below. In addition, it is likely that the real changes will affect other items, and that actions by Cloetta and others, as a result of the changes, may thereby affect other items.

Sensitivity analysis	Change	Profit before tax
Currency risk If the Swedish krona weakens/strengthens against the euro	-/+ 10%	-/+ SEK 15m
Interest rate risk Interest rate	+/- 1%	SEK -6m/ SEK 2m
Commodity price risk Average raw material prices	+/- 10%	-/+ SEK 115m

Cloetta's development is affected by multiple factors, which include those disclosed in the section Risks and risk management on pages 76–80.

Profit for the year

Profit for the year was SEK 281m (498). Income tax for the period was SEK –122m (–150). The effective tax rate for the year was 30.3 per cent (23.1) and was negatively impacted by the revaluation of deferred tax balances in the Netherlands as a result of a reversal of the previously enacted corporate income tax rate decrease. Excluding this revaluation effect the effective tax rate would have been slightly below last year's effective tax rate for the year.

Furthermore, international tax rate differences, non-deductible expenses and an adjustment in prior year filing positions had a negative impact on the effective tax rate for the year. Profit for the year equates to basic and diluted earnings per share of SEK 0.98 (1.74).

Key ratios

%	2020	2019
Gross margin	34.7	36.7
Operating profit margin	8.1	11.2
Operating profit margin, adjusted	9.0	11.4
Return on capital employed	6.3	10.0
Return on equity	6.7	11.9

For definitions, see page 164.

Financial position

Consolidated balance sheet

SEKm	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Intangible assets	5,563	5,684
Property, plant and equipment	1,560	1,559
Deferred tax asset	20	9
Other financial assets	3	7
Total non-current assets	**7,146**	**7,259**
Current assets		
Inventories	952	888
Trade and other receivables	736	928
Current income tax assets	27	6
Cash and cash equivalents	396	579
Total current assets	**2,111**	**2,401**
TOTAL ASSETS	**9,257**	**9,660**
EQUITY AND LIABILITIES		
Equity	**4,179**	**4,197**
Non-current liabilities		
Long-term borrowings	111	939
Deferred tax liability	837	803
Derivative financial instruments	0	3
Provisions for pensions and other long-term employee benefits	512	499
Provisions	5	5
Total non-current liabilities	**1,465**	**2,249**
Current liabilities		
Short-term borrowings	2,368	1,870
Derivative financial instruments	54	68
Trade and other payables	1,144	1,227
Provisions	24	5
Current income tax liabilities	23	44
Total current liabilities	**3,613**	**3,214**
TOTAL EQUITY AND LIABILITIES	**9,257**	**9,660**

Assets

Total assets at 31 December 2020 amounted to SEK 9,257m (9,660), which is a decrease of SEK 403m compared to the previous year.

Non-current assets

Intangible assets totalled SEK 5,563m (5,684). The change consists mainly of exchange differences related to intangible assets recognised in foreign subsidiaries of SEK –119m (83). Investments for the year amounted to SEK 23m (19) and amortisation amounted to SEK –27m (–43).

Of total intangible assets, 98 per cent (97) or SEK 5,424m (5,540) pertained to goodwill and trademarks at 31 December 2020. Goodwill and trademarks are tested at least yearly for impairment.

Property, plant and equipment amounted to SEK 1,560m (1,559). The year's investments amounted to SEK 349m (216). The year's investments in property, plant and equipment referred primarily to continuous efficiency-enhancing and replacement investments in the existing production lines, as well as investments in pick & mix fixtures. Depreciation amounted to SEK –248m (–258). Exchange differences related to tangible assets recognised in foreign subsidiaries amounted to SEK –52m (23) during the year.

Current assets

Current assets amounted to SEK 2,111m (2,401). This change is mainly due to a combination of an increase in inventories of SEK 64m, lower trade and other receivables of SEK 192m and lower cash and cash equivalents of SEK 183m.

Equity and liabilities

Equity

Consolidated equity at 31 December 2020 amounted to SEK 4,179m (4,197), which equates to SEK 14.5 (14.5) per share. On the balance sheet date, the share capital amounted to SEK 1,443m (1,443). The equity/assets ratio on the same date was 45.1 per cent (43.4).

Liabilities

Non-current liabilities amounted to SEK 1,465m (2,249), which is a decrease of SEK 784m compared to the previous year. Long-term borrowings totalled SEK 111m (939) and consisted of SEK 112m (140) in non-current lease liabilities, SEK 0m (800) in gross non-current loans from credit institutions and SEK –1m (–1) in capitalised transaction costs. The deferred tax liability increased by SEK 34m to SEK 837m. Pension provisions increased by SEK 13m to SEK 512m.

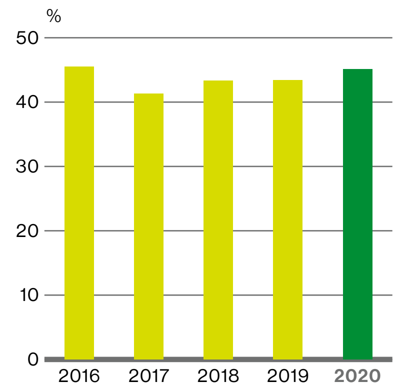
Total short-term borrowings amounted to SEK 2,368m (1,870) and consisted of gross loans from credit institutions of SEK 2,054m (1,306), commercial papers of SEK 250m (499), current lease liabilities of SEK 64m (64), capitalised transaction costs of SEK –1m (–0) and accrued interest on borrowings from credit institutions of SEK 1m (1). The current loans from credit institutions mature in the third quarter of 2021. The internal alignment for the refinancing of these loans is ongoing. It is Cloetta's aim to have the refinancing formalised during the first half of 2021. The extension of a loan from credit institutions in the second quarter of 2020 and the improved market for commercial papers give sufficient confidence that Cloetta will be able to refinance the loans at competitive terms.

Borrowings

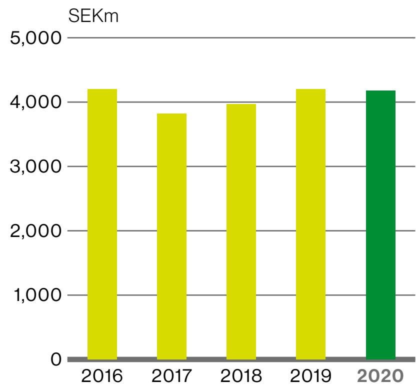
In June 2020, Cloetta extended a loan from credit institutions in the amount of SEK 1,254m for a year.

The facilities agreement bears variable interest at a rate based on STIBOR, plus an applicable fixed margin for loans in SEK, and variable interest at a rate based on EURIBOR plus an applicable fixed margin for loans in EUR. The applicable margin at 31 December 2020 was 0.90 per cent (0.90) for the outstanding loans in SEK and 1.05 per cent (0.80) for the outstanding loans

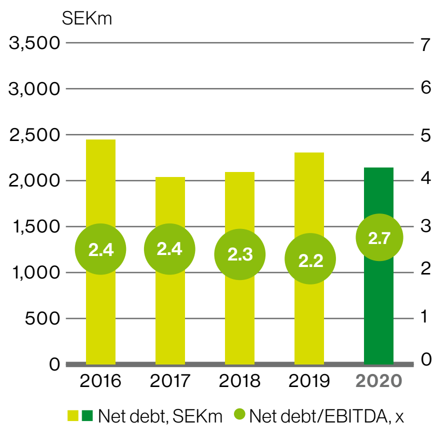
Equity/assets ratio
at 31 December



Equity
31 December



Net debt/EBITDA



in EUR. Interest on the commercial paper amounted to 0.82 per cent on average (0.38). Further, an additional 35 per cent (35) of the fixed applicable margin on the unutilised amounts of the credit revolving loans is paid as a commitment fee.

The combined effective interest rate for loans from credit institutions and the commercial paper was 0.93 per cent (0.74) for the year.

Change in capital employed

Capital employed during the year decreased from SEK 7,576m to SEK 7,224m, i.e. a decrease of SEK 352m.

Net debt

Interest-bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 2,139m (2,302). The net debt/equity ratio on the balance sheet date was 51.2 per cent (54.8).

Net debt

SEKm	31 Dec 2020	31 Dec 2019
Gross non-current loans from credit institutions	–	800
Gross current loans from credit institutions	2,054	1,306
Commercial papers	250	499
Lease liabilities	176	204
Derivative financial instruments (current and non-current)	54	71
Interest payable	1	1
Gross debt	**2,535**	**2,881**
Cash and cash equivalents	–396	–579
Net debt	**2,139**	**2,302**

Comments on the cash flow statement

Consolidated cash flow statement

SEKm	2020	2019
Cash flow from operating activities before changes in working capital	618	908
Cash flow from changes in working capital	38	–184
Cash flow from operating activities	**656**	**724**
Investments in property, plant and equipment	–267	–167
Investments in intangible assets	–23	–19
Free cash flow	**366**	**538**
Other investing activities		
Acquisition of subsidiaries	–	–146
Disposals of property, plant and equipment	1	2
Cash flow from other investing activities	**1**	**–144**
Cash flow from operating and investing activities	**367**	**394**
Cash flow from financing activities	**–476**	**–362**
Cash flow for the year	**–109**	**32**
Cash and cash equivalents at beginning of year	579	551
Cash flow for the year	–109	32
Exchange difference	–74	–4
Cash and cash equivalents at end of year	**396**	**579**

Free cash flow
The free cash flow was SEK 366m (538). Cash flow from operating activities before changes in working capital was SEK 618m (908). The decrease compared to the prior year is mainly the result of a lower operating profit and increased corporate income tax payments due to less availability of tax losses carried forward. The cash flow from changes in working capital was SEK 38m (–184). The cash flow from investments in property, plant and equipment and intangible assets was SEK –290m (–186).

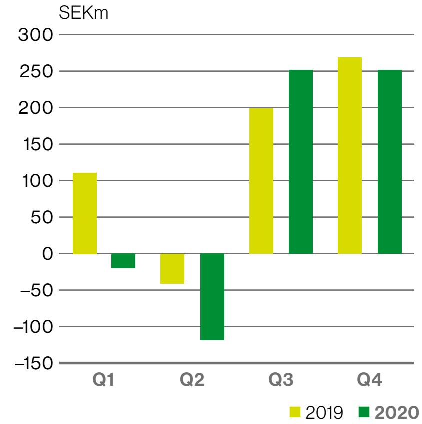
Cash flow from changes in working capital
Cash flow from changes in working capital was SEK 38m (–184). The cash flow from changes in working capital was positively impacted by a decrease in receivables amounting to SEK 184m (–88) partly offset by the negative impact due to the increase in inventories of SEK –90m (–113) and the decrease in payables for an amount of SEK –56m (17).

Cash flow from other investing activities
Cash flow from other investing activities was SEK 1m (–144). In the first quarter of 2019 an amount of SEK –146m was related to the settlement of the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries.

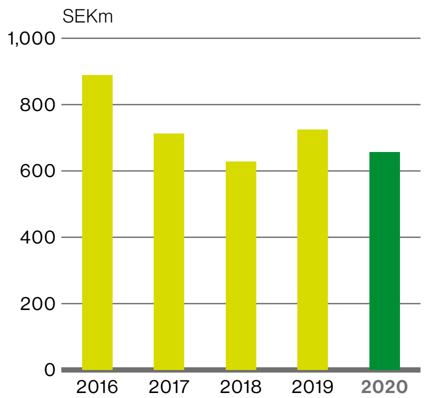
Cash flow from financing activities
Cash flow from financing activities was SEK –476m (–362). The cash flow from financing activities was related to the dividend distribution of SEK –143m (–287), net proceeds and repayments of loans from credit institutions and commercial papers of SEK –245m (–1) and payments of lease liabilities of SEK –72m (–74). Other cash flows from financing activities amounted to SEK –16m (0).

Cash and cash equivalents
The net cash flow was SEK –109m (32), which together with exchange differences of SEK –74m (–4) decreased cash and cash equivalents by SEK 183m to SEK 396m, compared to SEK 579m in the previous year. Cloetta had an unutilised credit facility of SEK 1,204m (1,254) and the possibility to issue additional commercial papers for an amount of SEK 750m (500). Cloetta's working capital is exposed to seasonal variations, partly resulting from a build-up of inventories in preparation for increased sales ahead of the Christmas holiday. This means that the working capital requirement is normally highest during the summer and lowest at year-end.

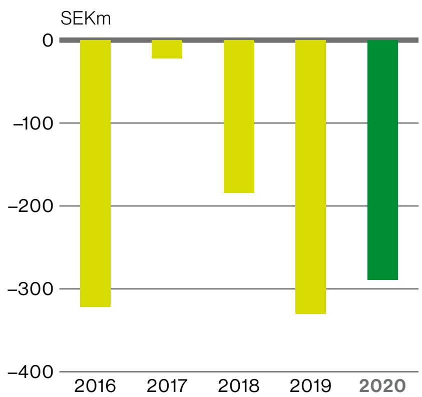
Free cash flow



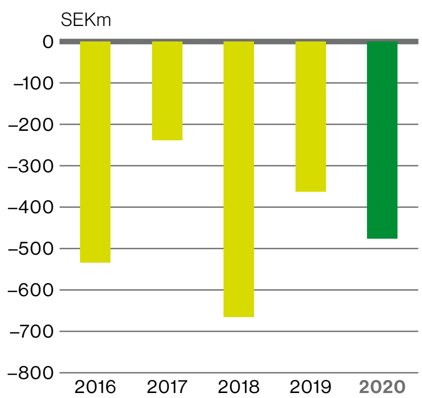
Cash flow from operating activities



Cash flow from investing activities



Cash flow from financing activities



Future outlook

Goal attainment

Following the impact of Covid-19, Cloetta's organic growth was –11.2 per cent in 2020. Sales of branded packaged products declined by –3.9 per cent and pick & mix sales declined by –34.5 per cent. Cloetta's long-term target is an adjusted EBIT margin of at least 14 per cent. In 2020, the adjusted EBIT margin declined to 9.0 per cent (11.4). The decline was driven by lower gross profit and increased marketing investments, partly mitigated by continued strong cost controls. In terms of growth, the target is to increase sales organically at least in line with market growth. Historically, annual growth in the markets has been one to two per cent. Another of Cloetta's long-term targets is to keep the net debt/EBITDA ratio around 2.5x. At 31 December 2020 the net debt/EBITDA ratio was 2.7x (2.2).

Profitable growth

The strategy and financial targets for Cloetta stand firm. The focus in 2021 will be on growing the branded packaged business, regaining the lost pick & mix volumes as well as reducing costs and driving efficiencies across the organisation. The Board proposes an ordinary dividend of SEK 0.75 per share (0.50), corresponding to around 77 per cent (29) of profit for the year. This brings the average dividend for 2019 and 2020 combined within the dividend policy. The ambition is to continue using future cash flows for payment of dividends while at the same time providing financial flexibility for investments. The long-term target of a payout ratio of 40 to 60 per cent of profit for the year remains unchanged.

Financial outlook

As in earlier years, Cloetta is not issuing any financial forecast for 2021.

Environmental impact and environmental management

Cloetta works to reduce its environmental impact through systematic environmental management. Our greatest direct environmental impact comes from water and energy consumption, wastewater emissions, waste and transportation. Over the entire life cycle of the products, the most significant environmental impact arises during raw material and packaging production. Cloetta complies with the statutory environmental requirements and is not involved in any environmental disputes. At 31 December 2020, Cloetta conducted operations at seven factories in five countries. The Swedish factory in Ljungsbro and the factory closed at the end of 2020 in Helsingborg were subject to reporting requirements according to the Swedish Environmental Code. These permits apply until further notice. There are no injunctions in respect of the Swedish Environmental Code.

The manufacturing units outside Sweden adapt their operations, apply for the necessary permits and report to the authorities in accordance with local legislation.

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

Cloetta's environmental policy and environmental management are described in more detail on pages 14–27, and 156–159.

Statutory sustainability report

Pursuant to the Swedish Annual Accounts Act, chapter 6, paragraph 10, Cloetta AB (publ) has chosen to prepare its statutory sustainability report as a separate report from the annual report. The sustainability report consists of pages 2–3, 8–13 (business model), 76–80 (risks and risk management) and 5, 14–27, 53, 59–62, 85, 90, 156–162 (material sustainability matters, governance and performance indicators).

Risks and risk management

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

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

Organisation for risk management

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

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

Identification of risks

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

Risk management

Effective handling of risks is an integral part of Cloetta's management and control. Rapid distribution of relevant information is ensured via the company's management structures and processes. Where possible, risks are eliminated, and undesired events are minimised through proactive measures. Alternatively, risks can be transferred, for example through insurance or agreements. However, certain risks are impossible to eliminate or transfer. These are often an active part of business operations. This year we are including more climate-related risks and we intend to disclose information according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations within the next two years.

Risk overview

A number of risk areas have been identified through Cloetta's risk management process. A selection of these, and a brief description of how each risk area is handled, is presented on the following pages. The Group's financial risk management is also described in more detail in Note 26, on pages 129–131, and on page 6 more information regarding Covid-19 related risks can be found.

Pages 90–91 contain a description of the internal control processes and risk assessment aimed at preventing misstatements in the financial reporting.

Management of risks in the workplace environment is described on page 61.

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 managed both strategically through business and product development, and operationally through daily purchasing, sales and marketing activities.

	Risks PROBABILITY	Management IMPACT
Market climate	Financial crises can have a negative impact on consumption patterns. This can affect operations if Cloetta's customers experience lower profitability, which leads to price pressure. Global pandemics can have a negative impact on various sales channels such as convenience stores and travel retail. This may affect Cloetta's sales and profitability negatively.	Historically, the confectionery market has been relatively mildly affected by market downturns in consumption. This is particularly true for Cloetta's products, which most people can afford to buy. To support the customers' business and promote sound pricing development, Cloetta cooperates with its customers on in-store sales activities and other measures. The majority of Cloetta's sales come from grocery stores, which remain open during a global pandemic as they are considered essential for society.
Competition	The confectionery market is highly competitive and includes several major players. Furthermore, grocery retailers offer private labels that compete with certain Cloetta products. This competition may limit Cloetta's ability to increase prices to compensate for higher raw material costs. Cloetta may also need to increase its investments in marketing and product development in order to retain or expand its market shares. Cloetta is a significant pick & mix player, which by its nature is a market that often consists of multi-year contracts that must be continuously renewed. Competition from other players, including the grocery retail chains, may cause Cloetta to lose major contracts.	Cloetta 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 added value than the cheaper alternatives. Cloetta must therefore conduct effective marketing. Cloetta endeavours to offer the best pick & mix concepts in terms of the customer and consumer experience. Furthermore, an integrated production chain enables Cloetta to be cost-effective in pick & mix.
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. E-commerce is challenging the current retail structure and over time, will most likely change the retail landscape substantially. The introduction of self-scanning services in stores might impact sales of Cloetta's products since they are often placed next to regular store checkouts. Events such as a global pandemic may accelerate the shift to e-commerce. Major retailers are joining the Science-Based Target Initiative to join the fight against climate change. They need suppliers to act in order to reach their climate targets.	Cloetta's strong brands and market position, together with a strong sales force and close cooperation with the retail trade, enable it 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 2020 Cloetta's ten largest customers accounted for around 51 (46) per cent of the Group's total sales. Cloetta is working actively with retailers regarding e-commerce, helping them to learn how to sell impulse confectionery products online. By supporting retailers in learning how to sell products in self-scanning areas, Cloetta is able to maintain sales in the checkout area. As Cloetta joined the Science-Based Target initiative in 2020, we join hands with our customers, thus strengthening our relationship and position ourselves as a responsible supplier.
Consumer trends Health and Sustainability	Changes in consumer behaviour give rise to both opportunities and risks. Health trends and the debate on health, weight and sugar may have a negative impact on confectionery consumption. The health trend has also spurred a growing interest in natural raw materials. Significant events, such as a global pandemic may also affect both short-term and long-term consumer behaviour. In the wake of rapid globalisation, individual consumers are more aware of how their consumption patterns affect the environment and social/ethical conditions all over the world. Consumers want to know more about product origins, manufacturing methods and raw materials. Information indicating that Cloetta, or Cloetta's suppliers, do not take adequate environmental or social responsibility could damage Cloetta's brand.	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 offers both sugar-free products and products with less sugar, as well as products that promote dental health. In the long term, Cloetta's goal is for all products to be free from artificial colourants and additives (NAFNAC). Cloetta developed a new Sustainability Agenda during 2020 to improve our overall sustainability performance. Consumers' increased awareness are seen as an opportunity rather than a risk but improving conditions in our supply chain remains a priority. Therefore, a specific Supplier Code of Conduct was developed in 2020 that will be implemented during 2021. Cloetta sources certified raw materials where this is possible and continuously look to improve conditions through cooperation with suppliers and NGO's.

Industry and market-related risks, continued

	Risks PROBABILITY	Management IMPACT
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 bring about new and higher demands. There is a risk that Cloetta's interpretation of the applicable tax laws, tax treaties and regulations in the different markets is not entirely correct or that such rules will change, possibly with retroactive effect.	Cloetta continuously assesses legal issues in order to predict and prepare its operations for possible changes. The introduction of confectionery taxes and fat taxes often has a short-term impact on sales. Provisions for legal disputes, tax disputes, etc., are based on an estimation of the costs, with the support of legal advice and based on the information available.
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 can also be affected by agro-political decisions in the EU regarding quotas, support, subsidies and trade barriers, and also by rising living standards and the activity of financial investors on the commodities exchanges.	Cloetta continuously monitors the development of raw material prices and all purchasing is carried out through a central purchasing function. To ensure access and price levels, Cloetta normally enters into supplier contracts that cover the need for raw materials for a period of 6–9 months ahead. If the average raw material prices had been 10 per cent higher/lower at 31 December 2020, profit before tax for the year would have been around SEK 115m 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, which is why they are normally regulated by policies, guidelines and instructions. Operational risks are part of Cloetta's day-to-day work and are managed by the operating units. Operational risks include those related to the brand, relocation of production, insurable risks and environmental, health and safety-related risks and IT-related risks.

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

Operational risks, continued

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

Financial risks

The primary financial risks are composed of foreign exchange, financing, interest rate and credit risks. Financial risks are managed by the Group's central finance function according to the guidelines in the finance policy established by Cloetta's Board of Directors. Financial risk management primarily aims to identify the Group's risk exposure and, with a certain degree of foresight, to attain predictability in the financial outcome and minimise possible unfavourable effects on the Group's financial results, in close cooperation with the Group's operating units. Consolidating and controlling these risks centrally enables the Group to minimise the level of risk while reducing the cost of measures such as currency hedging. Financial risk management is described in detail in Note 26, on pages 129–131.

	Risks PROBABILITY	Management IMPACT
Foreign exchange risks	Exchange rate fluctuations affect Cloetta's financial results partly in connection with buying and selling in different currencies (transaction exposure), and partly through translation of the profit and loss accounts and balance sheets of foreign subsidiaries to Swedish kronor (translation exposure). Cloetta's reporting currency is the Swedish krona, while many subsidiaries have the euro as their functional currency, thus translation exposure is significant. Aside from SEK and EUR, Cloetta also has exposure to DKK, NOK, GBP and USD.	The objective of Cloetta's foreign exchange management is to minimise the effects of exchange rate fluctuations by utilising incoming currency for payments in the same currency. If the Swedish krona had weakened/strengthened by 10 per cent against the euro, the year's profit before tax would have been around SEK 15m (50) higher/lower. The Group hedges parts of its translation exposure through borrowing in EUR.
Refinancing risks	Refinancing risk refers to the risk that it will not be possible to obtain financing or that financing can only be obtained at a significantly higher cost.	In 2020, Cloetta met its financial target related to a net debt/EBITDA ratio of around 2.5x. Through the term and revolving facilities agreement with the club of banks and the commercial paper program, Cloetta has a favourable situation for accessing financing, for example for potential acquisitions. In 2020, Cloetta extended a loan from credit institutions in the amount of EUR 125m (corresponding to SEK 1,312m) for a year.
Interest rate risks	Cloetta is exposed to interest rate risks in interest-bearing current and non-current liabilities. Although some of the Group's bank loans are hedged via interest rate swaps, there is still exposure to interest rate risk for the parts that are not hedged or when hedges expire.	The Group continuously analyses its exposure to interest rate risk and performs regular simulations of interest rate movements. Interest rate risk is reduced by hedging a share of future interest payments through interest rate swaps. In 2020, if the interest rate had been 1 percentage point higher with all other variables held constant, profit before tax for the year would have been approximately SEK 6m (6) lower. If the interest rate had been 1 percentage point lower with all other variables held constant, profit before tax for the year would have been approximately SEK 2m (2) higher.
Credit risks	Credit risk refers to the risk that a counterparty to Cloetta will be unable to meet its obligations and thereby cause a loss. Financial transactions also give rise to credit risks in relation to financial and commercial counterparties.	Credit risk in trade receivables is relatively limited in that the Group's customer base is diverse and consists mainly of large customers, and also because distribution takes place primarily through the major grocery retail chains. Customers are subject to credit assessments in accordance with the credit policy, and the receivables balance is monitored continuously. The Group's counterparties in financial transactions are banks and credit institutions with good credit ratings (between AA– and A-2).
Valuation risks	The Group has a number of assets and liabilities that have been valued with the help of various experts. These include goodwill and trademarks on the asset side and the pension liability and tax liabilities on the liability side.	Assets and liabilities are tested for impairment annually or when there is an indication that such testing may be necessary. Read more in Note 11, Intangible assets on page 115–116 and Note 30, Critical accounting estimates and judgements on page 135.

Letter from the Chairman

2020 has been characterised by Covid-19 and its many associated challenges. The pandemic had a major impact on Cloetta as it affected several of our sales channels and changed consumer behaviour. However, the company reacted to the situation swiftly and with decisive actions. These together with the positive progress made before the pandemic convince me that Cloetta remains strong.

Corporate governance creates systematic order

The Board's foremost responsibility to Cloetta's shareholders is to ensure that the company is managed as effectively as possible, and also that Cloetta complies with the laws and regulations required by legislators, regulatory authorities and the stock exchange. Corporate governance is aimed at creating order and systems for both the Board and Group Management Team. By having a clear structure, with well-defined rules and processes, we can also ensure that management and employees focus on developing the business and strengthening the company.

The Corporate Governance Statement on pages 82–95 contains more information about Cloetta's governance and management structure, the interplay between the company's formal governance bodies, internal steering documents and processes, and relevant control functions and reporting. All of these together ensure that we have robust, global corporate governance and a strong company culture.

> "I am convinced of our ability to create value for our customers, consumers and shareholders for many years to come."

The work of the Board

During the year, Cloetta has taken many different actions to mitigate the impact of Covid-19. Our highest priority has been the health and safety of our employees, customers and consumers. The Board has worked closely with the CEO and the Group Management Team to maintain operations, and followed up and developed the areas that are aimed at improving growth and profitability. We have also focused on how we can run the business in a more sustainable manner, and we launched a new Sustainability Agenda in 2020. Cloetta also joined the Science Based Targets Initiative during the year, through which a growing number of companies have set climate-related targets in line with the Paris Agreement.

With an operating margin of above 14 per cent in our branded packaged business, growth in this category is important for us to implement our strategy for profitable growth. Several Board meetings during the year were dedicated to the position of our brands in the minds of customers and consumers, which has resulted in increased investments. Our pick & mix business has had a challenging year due to Covid-19. Consequently, the Board has focused on measures to ensure that in both the short term and long term, this significant part of the company's business will achieve an adequate level of profitability. E-commerce growth is another strategically important area for Cloetta, and the Board continuously monitors the work being done.

During the year, we have accelerated several of the cost efficiency initiatives under the VIP+ cost savings program. Further, to improve Cloetta's competitiveness and offerings in the nut category, we also decided to close production in Helsingborg and outsource manufacturing to a third-party supplier.

The financing of our business operations remains healthy. Together with a strong cash flow, this enables us to propose that the ordinary dividend be increased to SEK 0.75 (0.50) per share for 2020. This means that the average dividend for 2019 and 2020 combined is in line with our dividend policy. Our proposal takes the current market situation into account and prioritises a continued strong balance sheet.

More and new shareholders

During 2020, Cloetta gained 10,000 new shareholders and by the end of the year we

had almost 35,000 owners of our company shares. Thus, the number of shareholders increased for the ninth consecutive year. It is encouraging that so many people want to invest in Cloetta's shares. The Board intends to deliver on this entrusted confidence so that all shareholders may continue to have confidence in Cloetta.

Cloetta is well positioned for the future

As the newly elected Chairman of the Board of Cloetta, I have dedicated this first year to gaining a deeper understanding of the company's commercial drivers and local market conditions. This has involved a close and frequent dialogue with the CEO and his Group Management Team during the year, and also online meetings with many engaged and loyal employees in our different markets. These activities have given me a solid appreciation of our business and I am convinced of our ability to create value for our customers, consumers and shareholders for many years to come.

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

Stockholm, March 2021

Mikael Norman
Chairman of the Board

Corporate Governance Report

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

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

Framework for corporate governance

Cloetta's corporate governance is regulated by external steering instruments that include the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Nordic Main Market Rulesbook for Issuers of Shares, and the Swedish Corporate Governance Code, as well as internal steering instruments such as the Articles of Association, instructions, policies and guidelines. The Swedish Corporate Governance Code is available at www.bolagsstyrning.se, where a description of the Swedish model for corporate governance is also provided. During the year, Cloetta complied with Nasdaq Nordic Main Market Rulesbook for Issuers of Shares and good stock market practice.

Application of the Swedish Corporate Governance Code

In 2020, Cloetta complied with the Code, with no deviations.

1 Share and shareholders

The class B shares of Cloetta AB (publ) have been listed on Nasdaq Stockholm since 16 February 2009 and have been traded on the Mid Cap list since 2 July 2012. Cloetta was originally introduced on the stock exchange in 1994 and has been listed in a number of different owner constellations since then. At 31 December 2020, the number of shares was 288,619,299 of which 282,884,050 were class B shares and 5,735,249 were class A shares. Each class B share corresponds to one vote and each class A share corresponds to ten votes, although all shares carry equal entitlement to the company's assets and profits. The number of shareholders at 31 December 2020 was 34,859 (compared to 24,910 at 31 December 2019). On 31 December 2020, AB Malfors Promotor was Cloetta's largest shareholder, with a holding corresponding to 39.2 per cent of the votes and 28.4 per cent of the share capital in the company. For more information about Cloetta's shares and shareholders, see section "Share and shareholders" on pages 63–68.

2 General meeting of shareholders

The general meeting of shareholders is Cloetta's highest decision-making body. At the general meeting, all shareholders have the opportunity to influence the company by exercising the votes attached to their respective shareholdings. The powers and duties of the general meeting are regulated by the Swedish Companies Act and the Articles of Association, amongst others. Cloetta's financial year is 1 January to 31 December. The Annual General Meeting (AGM) must be held within a period of six months after the end of the financial year. The date and location of the AGM must be communicated on the company's website no later than in conjunction with the publication of the third quarter report. Notice of the AGM must be given no earlier than six weeks and no later than four weeks prior to the AGM through publication in "Post- och Inrikes Tidningar" (the Swedish Official Gazette) and on the company's website. At the same time, confirmation that notification has been given must be published in Dagens Industri.

Every shareholder has the right to request that a matter be taken up at the AGM and in such case must submit a written request to the Board. In order to be addressed at the AGM, the request must be submitted to the Board no later than seven weeks prior to the AGM. In accordance with Chapter 7, paragraph 32, of the Swedish Companies Act, at a general meeting of shareholders all shareholders have the right to pose questions to the company about the matters that are addressed at the meeting and the financial situation of the company and the Group.

2020 Annual General Meeting

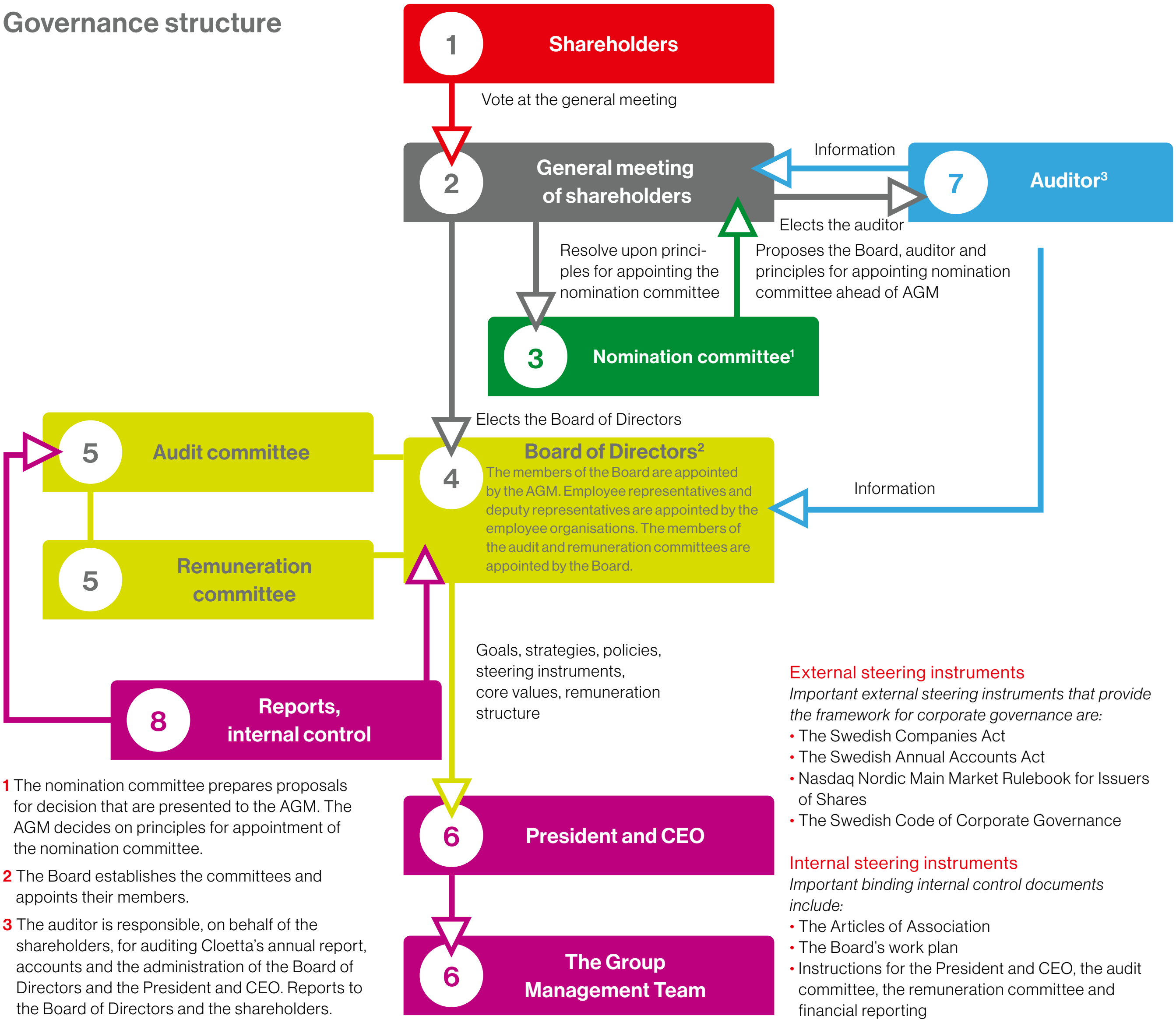
The most recent AGM was held on 2 April 2020 in Stockholm. To prevent the spreading of Covid-19, the AGM was only attended by a few individuals and representatives. The total attended was 16 individuals representing 51.5 per cent of the votes in the company.

The Chairman of the Board, the CEO and the Group's CFO attended the AGM in person. All other Board members as well as the Lead Audit Partner of the Group's independent auditor attended via conference call due to the prevailing pandemic.

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

- Adoption of the balance sheet and the profit and loss account

Governance structure



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

2 The Board establishes the committees and appoints their members.

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

External steering instruments

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

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- Nasdaq Nordic Main Market Rulebook for Issuers of Shares
- The Swedish Code of Corporate Governance

Internal steering instruments

Important binding internal control documents include:

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

- Appropriation of the earnings of the company by carrying forward the earnings of SEK 1,764,226,166 that are at the disposal of the Annual General Meeting
- Discharge of liability of the board members and the President and CEO
- The number of Board members elected by the AGM to be seven, with no deputies
- Election of Mikael Norman as the new Chairman of the Board. Re-election of sitting Board members Camilla Svenfelt, Mikael Svenfelt, Lottie Knutson, Mikael Aru, Patrick Bergander and Alan McLean Raleigh. Former Chairman of the Board Lillian Fossum Biner, who had declined re-election, resigned in conjunction with the AGM. Aside from the members elected by the AGM, the employee organisations PTK and LIVS each appointed an employee representative and a deputy representative to the Board
- Setting the Board fees at SEK 685,000 for the Board Chairman and SEK 315,000 for each of the other Board members elected by the AGM. Fees for work on the Board committees shall be paid in the amount of SEK 100,000 for each member of the audit committee, SEK 150,000 for the Chairman of the audit committee, SEK 100,000 for each member of the remuneration committee and SEK 150,000 for the Chairman of the remuneration committee
- Fees for the auditor are to be paid according to approved account;
- Re-appointing the registered public accounting firm Öhrlings PricewaterhouseCoopers AB ("PwC") as the auditor for the period until the next AGM. Sofia Götmar-Blomstedt will continue as the Lead Audit Partner
- The implementation of a share-based long-term incentive plan.

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

Extraordinary General Meeting

On 3 November 2020, Cloetta held an Extraordinary General Meeting at which the Board of Directors' proposal for a dividend payout of SEK 0.50 per share for the 2019 financial year was agreed. To prevent the spreading of Covid-19, the Extraordinary General Meeting was conducted, in accordance with Section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations, solely as a postal voting procedure, and there was thus no physical attendance of shareholders, representatives, or other persons.

2021 Annual General Meeting

The 2021 AGM will be held on Tuesday 6 April 2021 as a postal voting procedure only in accordance with Section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. There will be no physical attendance of shareholders, representatives or other persons. The Notice of the Annual General Meeting was published in March 2021 and contained the Board's proposals. For more information, please refer to the section "Annual General Meeting" on page 169 and www.cloetta.com.

3 Nomination committee

Work of the nomination committee

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

Composition of the nomination committee

In accordance with the decision of the AGM, Cloetta's nomination committee shall consist of at least four, and at most six members. Of these, one shall be a representative of the Board and three shall be members appointed by the three largest shareholders in terms of voting power. The members appointed may themselves appoint one additional member.

Independence of the nomination committee

The majority of the nomination committee's members shall be independent in relation to the company and its Group Management Team, and at least one of these shall also be independent in relation to the company's largest shareholder in terms of voting power. Of the appointed members, all four are independent in relation to the company and its Group Management Team and three are independent in relation to the company's largest shareholder in terms of voting power.

Shareholder proposals

All shareholders have the right to contact the nomination committee to propose candidates for election to the Board. Proposals shall be sent to the Chairman of the nomination committee by e-mail to nomination-committee@cloetta.com.

Meetings of the nomination committee

The nomination committee held three meetings ahead of the 2021 AGM. No fees have been paid for work on the nomination committee.

4 Board of Directors

The work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders, appoint the President and CEO and ensure that the company complies with all applicable laws, the Articles of Association and the Swedish Corporate Governance Code. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance responsibility over the subsidiaries and that the company's financial accounting, financial management and financial circumstances in general can be controlled satisfactorily. At least once a year the Board shall meet with the company's auditor without the presence of the Group Management Team, and shall continuously and at least once a year evaluate the performance of the President and CEO.

Composition of the Board

According to the Articles of Association, Cloetta's Board of Directors shall consist of at least three, and at most ten members that are elected annually at the AGM for a period until the next AGM has been held. On 2 April 2020, the AGM resolved that the Board shall have seven members appointed by the AGM. On 2 April 2020, the AGM elected the following Board members to serve for the period until the end of the next AGM, to be held on 6 April 2021: Mikael Norman (Chairman), Lottie Knutson, Patrick Bergander, Mikael Aru, Mikael Svenfelt, Camilla Svenfelt and Alan McLean Raleigh. In addition, the employee organisation LIVS appointed one employee representative to the Board, Lena Grönedal, and one deputy representative, Shahram Nikpour Badr. The employee organisation PTK appointed one employee representative to the Board, Mikael Ström, and one deputy representative, Christina Lönnborn. All Board members have attended Nasdaq's stock market training course for boards and management. The average age of the Board members elected by the AGM was 55 years at year-end and two of the seven are women. For information about the Board members' assignments outside the Group and holdings of shares in Cloetta, see pages 92–93 and cloetta.com.

Diversity policy

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

Nomination committee ahead of the 2020 AGM

Members	Appointed by	Independent[1]	Share of votes at 31 Dec 2020, %
Lars Schedin, *Chairman*	AB Malfors Promotor	Yes/No	39.2
Stefan Johansson	PRI Pensionsgaranti	Yes/Yes	1.9
Johan Törnqvist	Ulla Håkanson	Yes/Yes	1.5
Mikael Norman	The Board of Cloetta AB	Yes/Yes	0.0

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

Independence of the Board

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

The Board's instructions and policies

On a yearly basis, the Board reviews and adopts a work plan for its own activities and those of the Board's audit and remuneration committees. The Board also adopts instructions for the President and CEO and instructions for financial reporting. Among other things, these regulate the segregation of duties between the Board of Directors, the Chairman of the Board, the President and CEO and the auditor, quorum, conflict of interest, the work of the committees, internal and external reporting, routines for notification of general meetings, Board meetings and minutes. In addition, the Board has issued and adopted a Code of Conduct and policies for Communications, Finance, HR, Inside information, Insurance, Internal Control, IT security, Mergers and Acquisitions, Fraud and Whistleblowing, Trade Sanctions, Anti-bribery and anti-corruption.

Instructions and policies

The Board reviews and adopts the following instructions and policies on a yearly basis:

- Work plan for the Board
- Instructions for the President and CEO
- Instructions for financial reporting
- Work plan and instructions for the Audit committee
- Work plan and instructions for the Remuneration committee
- Code of Conduct
- Communication policy
- Finance policy
- HR policy
- Insider policy
- Insurance policy
- Policy for internal control
- IT security policy
- Mergers and acquisitions policy
- Fraud and whistleblower policy (Anonymous reporting of violation of laws, the Code of Conduct or other rules at Cloetta)
- Anti-bribery and anti-corruption policy
- Trade sanction policy

Evaluation of Board performance

The performance of the Board is evaluated annually in order to continuously improve the Board's working methods and efficiency. The Chairman of the Board is responsible for carrying out the evaluation and presenting the results to the nomination committee. The intention of the evaluation is to gather the Board members' views on the Board's performance, measures that can be taken to improve the efficiency of board work, and whether the Board has a well-balanced mix of competencies. The evaluation provides valuable input for the nomination committee ahead of the AGM. In 2020, one of the board members has conducted interviews on behalf of the Chairman with all Board members, including the employee representatives. The results of the evaluation have been reported to and discussed by both the Board and the nomination committee.

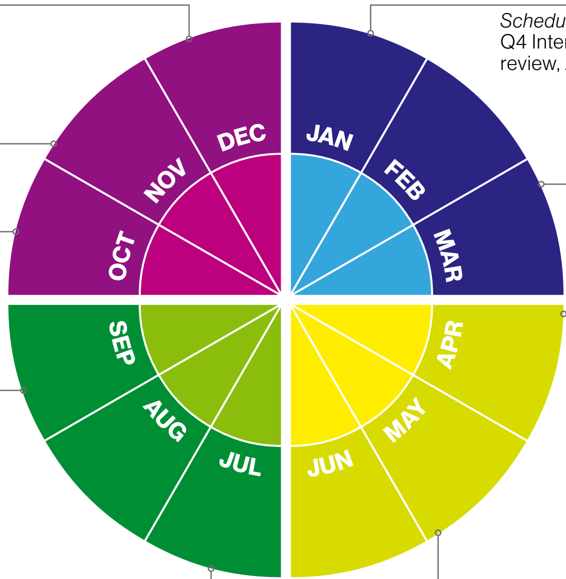
Board meetings

In 2020, the Board held nine scheduled meetings, including one statutory meeting and two extra digital meetings. The President and CEO and the CFO, who also acts as the Board Secretary, take part in the Board's meetings. Other members of the Group Management Team participate as needed to report on special items of business.

Governance and organisation for sustainability work

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

Board meetings in 2020



JANUARY
Scheduled meeting; Independent Audit Report PwC, Q4 Interim report incl. analytics, Perfect Factory review, AGM preparation.

MARCH
Extra meeting: Cash flow and revisit AGM pending developments.
Scheduled meeting; Annual Report, and report from Remuneration Committee.

APRIL
Scheduled meeting; Statutory meeting, Resolution on signatory powers, Resolution of instructions and policies, Resolution regarding Remuneration Committee and Audit Committee, Appointment of Board representative to the Nomination committee, Information regarding remuneration of the Board of Directors, Timetable for Board of Directors' meetings and reporting dates.
Scheduled meeting; Cash forecast and scenarios, A&P investments: balancing 2020 vs long-term brand health, Merchandising cost reduction 2020, Q1 Interim report incl. analytics.

MAY
Scheduled meeting; Financial update: NSV and EBIT scenarios 2020, A&P strategy and support plan top 25 brands, P&M review: strategic options and ignite plan, Supply capacity review.

JULY
Scheduled meeting; Q2 Interim report incl. analytics, report from Audit Committee.

SEPTEMBER
Scheduled meeting; Road to 14%, EBIT update, Strategic house and 8 Essentials 2021 update, Marketing and innovation strategy, P&M update, Dividend 2019.
Extra Board meeting: Dividend 2019.

OCTOBER
Scheduled meeting; Cloetta Sustainability Agenda, Germany overview, Q3 Interim report incl. analytics.

NOVEMBER
Extraordinary General Meeting.

DECEMBER
Scheduled meeting; Budget/business plans for the year ahead and bonus targets/Yardstick 2021.

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

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

5 Board committees

Audit committee

In 2020, the Board audit committee consisted of members Patrick Bergander (chairman), Camilla Svenfelt and Mikael Aru. The majority of the committee's members shall be independent in relation to the company and its Group Management Team, and at least one of these shall also be independent in relation to the company's major shareholders. At least one member shall be independent and have accounting or auditing expertise. Of the audit committee's three members, all are independent in relation to the company and its Group Management Team, and two are independent in relation to the company's major shareholders. The work of the audit committee is regulated by special instructions that have been adopted by the Board as part of its work plan. The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control and risk management regarding financial reporting. In brief, the audit committee, without affecting the other tasks and responsibilities of the Board, shall meet regularly with the company's auditors to remain informed about the focus and scope of the audit. The company's auditor shall be invited to participate in the meetings of the audit committee. The audit committee shall meet at least four times every financial year. At least once a year, the committee shall meet without the presence of any member of the Group Management Team. All audit committee meetings must be documented. The audit committee shall inform the Board about the matters dealt with by the committee. The committee held four meetings in the period between the AGM in 2020 and the publication of this annual report.

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board on a yearly basis. One of the members shall be the chairman of the committee. The Board's remuneration committee consists of members Mikael Svenfelt (chairman), Alan McLean Raleigh and Mikael Norman. The majority of the committee's members shall be independent in relation to the company and its Group Management Team. Of the remuneration committee's members, all three are independent in relation to the company and its Group Management Team. The work of the remuneration committee is regulated by special instructions that have been adopted by the Board as part of its work plan. The main tasks of the remuneration committee are to prepare recommendations to the Board for decisions on remuneration principles, remuneration and other terms of employment for the Group Management Team, to monitor and evaluate programs for variable remuneration completed during the year and ongoing programs for the Group Management Team as adopted by the AGM and to monitor the current remuneration structures and levels in the Group. The remuneration committee shall meet at least twice every financial year. The committee has since the AGM in 2020 until the publication of this annual report held four meetings.

Board Chairman

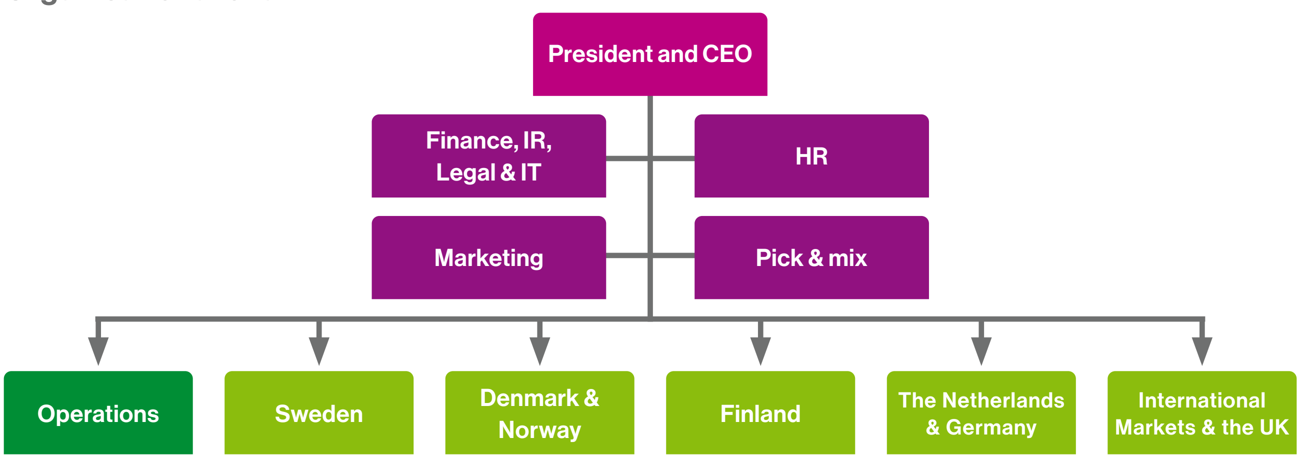
The Board Chairman is elected by the Annual General Meeting and on 2 April 2020 the AGM elected Mikael Norman as the new Chairman of the Board. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties, and has special responsibility for ensuring that the work of the Board is well organised and effectively executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly, and that the nomination committee is informed about the results of this evaluation.

6 President and Group Management Team

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

Henri de Sauvage-Nolting has been President and CEO of Cloetta since 15 February 2017. In addition to the President and CEO, on 31 December 2020 the Group Management Team consisted of the five regional

Organisational chart



presidents, the President of Operations, the Chief Pick & Mix Officer, the CFO, the CMO and the Senior Vice President Human Resources. For information about the President and CEO and other members of the Group Management Team, see pages 94–95. The Group Management Team holds regular management meetings and held twelve meetings in 2020. The meetings are focused on the Group's strategic and operational development and financial performance.

7 Auditor

The auditor is elected by the AGM to examine the company's annual accounts and accounting records and the administration of the Board of Directors and the President and CEO. The auditor's reporting to the shareholders takes place at the AGM through the presentation of the auditor's report. At the AGM on 2 April 2020, the registered public accounting firm Öhrlings PricewaterhouseCoopers AB ("PwC") was re-appointed as the auditor for the company for the period until the next AGM. The authorised public accountant Sofia Götmar-Blomstedt was elected to continue as the Lead Audit Partner.

8 Financial reporting

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

The tasks of the Board are to oversee the Group's financial development, assure the quality of the financial reporting and internal control and regularly monitor and evaluate operations. The task of the audit committee is to support the Board in assuring the quality of the company's financial reporting. The audit committee also oversees the financial reports and significant accounting matters, as well as matters related to internal control, compliance, material uncertainty in reported values, events after the balance sheet date, changes in estimates and judgements and other circumstances affecting the quality of the financial reports.

The President and CEO ensures that the financial accounting in the Group's' companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. Cloetta AB's President and CEO is a member of the boards of all operating subsidiaries. Every month, the Group prepares a closing of the books that is submitted to the Board and the Group Management Team. For each financial year, a profit statement, balance sheet and investment budget are prepared and are adopted at the scheduled Board meeting in December. External financial information is regularly provided in the form of:

- Interim reports;
- The annual report;
- Press releases about important news that is deemed to have a potential impact on the share price;
- Presentations for financial analysts, investors and the media on the date of publication of the year-end and interim reports;
- Meetings with financial analysts and investors

Additional information

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

Press releases 2020

January
- Invitation to an online conference in conjunction with Cloetta AB's year-end report 2019
- Cloetta AB's Q4 interim report October – December 2019
- Nomination committee proposes Mikael Norman as the new Chairman of Cloetta AB (publ)

February
- Notification of Cloetta AB (publ) Annual General Meeting

March
- Cloetta's 2019 Annual report published on the website
- Update on the impact of Covid-19
- Updated information regarding Cloetta's AGM on 2 April
- Cloetta retracts proposal for dividend pay-out and provides an update on the effects of Covid-19

April
- Cloetta AB (publ) Annual General Meeting 2 April 2020
- New update on developments related to Covid-19
- Invitation to an online conference call in conjunction with Cloetta AB's Q1 interim report 2020
- Cloetta AB's Q1 interim report January – March 2020

July
- Invitation to an online conference call in conjunction with Cloetta AB's Q2 interim report 2020
- Cloetta AB's Q2 interim report April – June 2020

August
- Cloetta outsources manufacturing of nuts to improve competitiveness
- Nomination committee appointed ahead of the Cloetta AB (publ) 2021 AGM

September
- The Board of Cloetta AB proposes dividend pay-out for 2019

October
- Invitation to Extraordinary General Meeting of Cloetta AB (publ)
- Invitation to an online conference call in conjunction with Cloetta AB's Q3 interim report 2020
- Cloetta AB's Q3 interim report July – September 2020

November
- Notification following the Extraordinary General Meeting of Cloetta AB (publ) on 3 November 2020

Remuneration of the Group Management Team

Guidelines for remuneration of Group Management Team

The current guidelines for remuneration of the Group Management Team were adopted by the AGM on 2 April 2020. The total remuneration shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. In addition to base salary, remuneration of the President and CEO, other members of the Group Management Team and other executives reporting directly to the President and CEO can include: short-term variable compensation, share-based long-term variable compensation, pension benefits, termination benefits and other benefits.

	Short-term variable compensation as a percentage of base salary	
	Target level	Maximum level
President and CEO	50 %	100 %
Other Group Management Team, average	34 %	68 %

Short-term variable compensation

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

- Net sales growth
- Operating profit

Share-based long-term variable compensation

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

Pension benefits

Pension benefits vary depending on the agreements and practices in the country where the individual is employed. Defined contribution plans are strived for, which means that pension benefits most often consist of defined contribution plans for which annual premiums are paid as a percentage of pension-qualifying salary up to the age of retirement. Variable salary and benefits are not pension qualifying unless provided by law or collective agreement. The retirement age is not less than 60 years and not more than 67 years.

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

Termination benefits

Upon termination of employment on the part of the company, the notice period shall be no longer than 12 months. Any termination benefits may not exceed one fixed annual salary.

Due to employment contracts entered into by Leaf prior to Cloetta's acquisition of the company, there are contracts with members of the Group Management Team granting termination benefits exceeding 12 monthly base salaries.

Other benefits

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

President and CEO

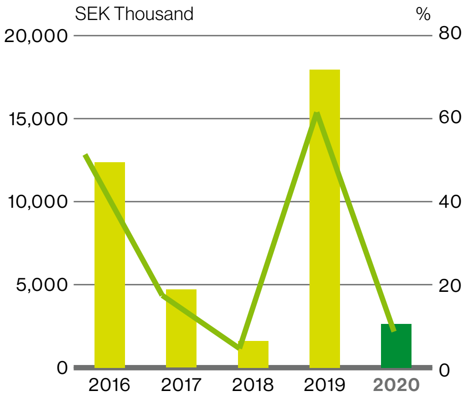
The retirement age is 65 years. The pension terms consist of a defined contribution plan for which annual premiums are paid up to the age of retirement in an amount corresponding to 30 per cent of pension-qualifying salary, consisting of base salary. Variable compensation and other benefits are not pension-qualifying.

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

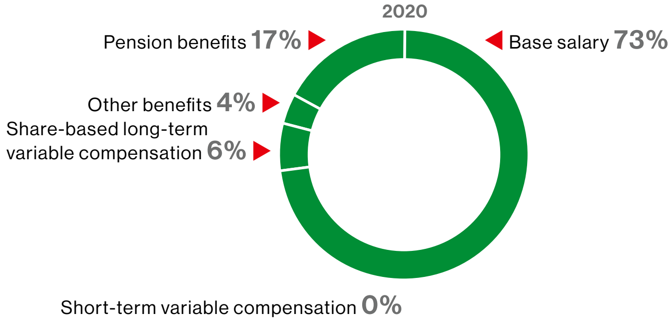
Remuneration in 2020

In 2020, the total remuneration of the Group Management Team including the President and CEO amounted to SEK 39,724 thousand (56 ,808) including pension benefits, and SEK 32, 915 thousand (49,670) excluding pension benefits.

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



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



Share-based long-term incentive plan for senior executives

On 2 April 2020, the Annual General Meeting approved the Board's proposal for a share-based long-term incentive plan. The plan aligns the interests of the shareholders with those of the Group Management Team and other key employees in order to ensure maximum long-term value creation.

A personal shareholding in Cloetta is required for all participants. See page 67 and Notes 23, 27 and 28 for more information about share-based payment.

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

The Board of Directors has established a remuneration committee consisting of three members who prepare recommendations for decision by the Board regarding remuneration principles, remuneration levels and other terms of employment for the Group Management Team. The recommendations have included the proportional distribution between base salary and variable compensation and the size of any salary increases. Furthermore, the remuneration committee has discussed pension terms and termination benefits.

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

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

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

Remuneration of the President and CEO for the financial year 2020 has been determined by the Board. Remuneration of other members of the Group Management Team and of other senior executives has been determined by the President and CEO. Since the 2020 AGM, the remuneration committee has met on four occasions. The full principles for remuneration of the group management team in 2021 will be presented ahead of the AGM on 6 April 2021. The suggested principles for 2021 will deviate marginally from those applied in 2020.

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

Remuneration – the Group Management Team

Costs incurred in 2020 SEK Thousand	Base salary	Short-term variable compensation incurred in the year, expected to be paid out in the next year	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	5,000	5	529	92	5,626	1,500	7,126
Other Group Management Team[1]	23,863	53	2,052	1,321	27,289	5,309	32,598
Total	**28,863**	**58**	**2,581**	**1,413**	**32,915**	**6,809**	**39,724**
of which, Parent Company	*11,878*	*21*	*1,272*	*353*	*13,524*	*3,478*	*17,002*
Amount paid in 2020							
Henri de Sauvage-Nolting, President and CEO	5,000	3,649	257	92	8,998	1,500	10,498
Other Group Management Team[1]	23,863	10,678	381	1,321	36,243	5,309	41,552
Total	**28,863**	**14,327**	**638**	**1,413**	**45,241**	**6,809**	**52,050**
of which, Parent Company	*11,878*	*7,156*	*257*	*353*	*19,644*	*3,478*	*23,122*

Costs incurred in 2019 SEK Thousand	Base salary	Short-term variable compensation incurred in the year, expected to be paid out in the next year	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	4,660	3,658	388	96	8,802	1,398	10,200
Other Group Management Team[2]	24,703	10,687	3,214	2,264	40,868	5,740	46,608
Total	**29,363**	**14,345**	**3,602**	**2,360**	**49,670**	**7,138**	**56,808**
of which, Parent Company	*12,203*	*7,170*	*973*	*1,081*	*21,427*	*3,535*	*24,962*
Amount paid in 2019							
Henri de Sauvage-Nolting, President and CEO	4,660	263	-	96	5,019	1,398	6,417
Other Group Management Team[2]	24,703	1,843	765	2,264	29,575	5,740	35,315
Total	**29,363**	**2,106**	**765**	**2,360**	**34,594**	**7,138**	**41,732**
of which, Parent Company	*12,203*	*477*	*189*	*1,080*	*13,949*	*3,535*	*17,484*

1) Other Group Management Team comprised 10 persons for the period 1 January 2020 up to 31 December 2020.
2) Other Group Management Team comprised 11 persons for the period 1 January 2019 up to 31 March 2019, 12 persons for the period 1 April 2019 to 30 April 2019 and 11 persons for the period 1 May 2019 to 31 August 2019. As from 1 September 2019 the other Group Management Team consisted of 10 persons.

Internal control over financial reporting

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

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

Roles and responsibilities

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

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

Control environment

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

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

Financial reporting competencies

The Group Management Team and local management teams ensure that the company has employees with the right competency in all key (financial) positions and that there are procedures in place to ensure that employees in key (financial) positions have the requisite knowledge and skills.

Human Resources (HR)

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

Risk assessment

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

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

Certain specific risks, for example risks related to taxes and legal matters and other financial risks, are reviewed pro-actively on a periodic basis. Risks and risk management are reported on separately in more detail in the annual report, on pages 76–80. Tax, legal and other financial risks are reflected based on management's best estimate and judgement, and in accordance with the applicable accounting standards in the consolidated financial statements.

Fraud risk

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

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

Basis for risk assessment

Existence	Completeness	Rights and obligations	Valuation and allocation	Presentation and disclosure
Existence, reported assets and liabilities exist on the reporting date.	**Completeness**, all transactions during the reporting period are recorded and reported.	**Rights and obligations**, assets are the rights of the organisation and the liabilities are its obligations as of a given date.	**Valuation and allocation**, all items in the financial reporting are reported in compliance with IFRS valuation principles and are correctly calculated and summarised and appropriately recorded.	**Presentation and disclosure,** items in the financial reports are properly described, sorted and classified.

Control activities

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

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

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

Monitoring and improvement

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

Process for financial reporting

Monthly	Quarterly
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.	**Audit committee** The auditor attends every quarterly meeting. Possible actions are carried out in respect of the audit report.
Controls The Group's reporting system contains embedded controls. In addition, the central finance team carries out analytical controls as well as controls of completeness and reasonability.	**External reporting** Cloetta publicly discloses its interim and year-end reports through press releases and publication on the company's website.
Processing and consolidation Any corrections are implemented in dialogue with the affected parties. Reconciliation occurs.	
Reporting Reporting of operational and financial information to the Board of Directors and the Group Management Team.	

Reporting routines

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

Local management teams report their financial results periodically and in accordance with the Group's accounting and reporting policies. This reporting is the basis for Cloetta's internal and external reporting and serves as a basis for legal and business reviews. The business reviews are carried out according to a structure in which sales, earnings, cash flow and other key ratios and trends of importance to the Group are compiled and form a basis for analysis and actions by the management and controllers at different levels. Other important and group-wide components of internal control and reporting routines include the annual business planning process and the monthly and quarterly forecasts.

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

The company's financial situation is discussed at each Board of Directors meeting. The Board's audit committee has important monitoring and control duties with regard to loans, investments, financial management, financial reporting and internal control. The audit committee and Board of Directors review and formally approve interim reports and the annual report prior to publication. In addition, the audit committee receives regular reports from the independent auditor.

Communication

Internal communication

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

External communication

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

External communication is carried out in accordance with legal requirements and the Corporate Communications and IR policy.

Evaluation of the need for a separate internal audit function

There is currently no internal audit function at Cloetta. The Board of Directors has reviewed this matter and determined that the existing structures for monitoring and evaluation provide a satisfactory basis for control. For certain special internal audit activities, external resources are used.

Board of Directors

Mikael Norman
Position: Chairman of the Board
Member of the Remuneration Committee
Elected: 2020
Year of birth: 1958
Nationality: Swedish
Education: Bachelor of Laws, Stockholm University, Sweden.
Other assignments: Chairman of the board of Bonava AB (ends in 2021).
Previous assignments: CFO of Nobia AB, Group Financial Controller and several other roles at Electrolux AB, Tax lawyer at Pricewaterhouse-Coopers and Judge in the County Administrative Court and Administrative Court of Appeal in Stockholm.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 20,000 class B shares
Related parties: –

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

Patrick Bergander
Position: Member of the Board
Chairman of the Audit Committee
Elected: 2019
Year of birth: 1971
Nationality: Swedish
Education: B.Sc. Business and Economics, Stockholm University.
Other assignments: CFO of Rosti Group.
Previous assignments: CEO and former CFO RSA Scandinavia (Codan/Trygg-Hansa). Several positions at Electrolux, as CFO Asia Pacific and Head of Group Business Control. CFO, Business area Private at If Skadeförsäkring and Consultant and Auditor at Arthur Andersen.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 4,180 class B shares
Related parties: –

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

Alan McLean Raleigh
Position: Member of the Board
Member of the Remuneration Committee
Elected: 2018
Year of birth: 1959
Nationality: British
Education: B.Sc. (Hons) Production Engineering and Production Management, University of Strathclyde, Scotland.
Other assignments: Trustee on the Board of the Chartered Institute of Procurement and Supply (CIPS). Board Chairman of Robinson plc.
Previous assignments: Executive Vice President, Personal Care Supply Chain, Unilever.
Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes
Shareholding: Direct: 7,887 Class B shares
Related parties: –

Camilla Svenfelt
Position: Member of the Board
Member of the Audit Committee
Elected: 2016
Year of birth: 1981
Nationality: Swedish
Education: Bachelor of Science in Social Work and courses in business administration, labour market economics and management, Stockholm University.
Other assignments: Board member of AB Malfors Promotor and a deputy board member of the Hjalmar Svenfelt Foundation. Accounting supervisor at AB Malfors Promotor.
Previous assignments: –
Independence:
In relation to major shareholders: No
In relation to the company and management: Yes
Shareholding: Class A shares, Direct: 60
Related parties: -
Class B shares, Direct: 476,485
Related parties: 60,095

Mikael Svenfelt

Position: Member of the Board
Chairman of the Remuneration Committee
Elected: 2008
Year of birth: 1966
Nationality: Swedish
Education: Marketing and Business Economics, Tibbleskolan and Law studies, Folkuniversitetet.
Other assignments: CEO and Board member of AB Malfors Promotor.
Previous assignments: Senior positions in Nicator Group, Dell Financial Services, GE Capital Equipment Finance AB, and Rollox AB. Board Chairman of Fjärilshuset Haga Trädgård AB. Board member of Fjärilshuset Haga Trädgård Café AB.
Independence:
In relation to major shareholders: No
In relation to the company and management: Yes
Shareholding: Class A shares, Direct: 25
Related parties: 5,729,569
Class B shares, Direct: 42,535
Related parties: 76,229,973

Lena Grönedal

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

Mikael Ström

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

Shahram Nikpour Badr

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

Christina Lönnborn

Position: Deputy employee board member, PTK Unionen
Elected: 2016
Year of birth: 1962
Nationality: Swedish
Position at Cloetta: Sales support Merchandisers, Cloetta Sverige AB
Shareholding: Direct: -
Related parties: –

Shareholding stated as at 31 December 2020

Composition of the Board

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

1) Education and other assignments are shown on pages 92–93.
2) The fees refer to set amounts during the period from the AGM on 2 April 2020 until the AGM on 6 April 2021. Board fees shall be paid in amount of SEK 685,000 (unchanged) to the Board Chairman and SEK 315,000 (unchanged) to each other board member elected by the AGM. Fees for work on the Board committees will be paid in the amount of SEK 100,000 for each member of the audit committee (unchanged), SEK 150,000 for the Chairman of the audit committee (unchanged), SEK 100,000 for each member of the remuneration committee (unchanged) and SEK 150,000 for the Chairman of the remuneration committee (unchanged); For further details, see Note 6.
3) Independent in relation to the company and its Group Management Team/the largest shareholder.
4) Attendance refers to meetings during the period from the statutory meeting following the AGM on 2 April 2020 until the publication of this annual report on 15 March 2021.

Group Management Team

Henri de Sauvage-Nolting

Position: President and CEO since 2017
Employed by Cloetta since 2017.
Year of birth: 1962
Nationality: Dutch
Education: M.Sc., Chemistry, Amsterdam University, the Netherlands. M.Sc., Chemical Engineering, Technical University of Twente, the Netherlands. Post Doc in Business Administration, University of Leuven, Belgium.
Other assignments: Board member of Agra Industrier, Norway.
Previous positions: Executive Vice President of Arla in Sweden, Denmark and Finland. Between 1989 and 2013 held positions in sales, marketing and manufacturing at Unilever in the Nordics, the Netherlands, UK and China. Last position at Unilever was as CEO of the Nordics.
Shareholding: Direct: 109,092 class B shares
Related parties: –

Frans Rydén

Position: Chief Financial Officer (CFO) since 2018
Employed by Cloetta since 2018.
Year of birth: 1972
Nationality: Swedish
Education: BSc. Business Administration, Stockholm University, Master of Laws, Stockholm University.
Other assignments: –
Previous positions: Various finance positions in Mondelez such as chief financial officer for India and for Indonesia, Finance Director ZBB Asia-Pacific, Regional Manager Financial Planning and Analysis, and Area Manager Internal controls. Recently Vice President Finance at Arla Foods.
Shareholding: Direct: 81,099 class B shares
Related parties: –

Regina Ekström

Position: Senior Vice President Human Resources since 2015.
Employed by LEAF since 2004.
Year of birth: 1963
Nationality: Swedish
Education: B.Sc. Business Administration and Economics, Lund University, Sweden.
Other assignments: –
Previous positions: SVP Human Resources and Communications Scandinavia at Cloetta/LEAF, 2004–2014. SVP Human Resources Nordic at Findus, 2000–2004, HR Manager Sweden/Nordic at Nestlé, 1995–2000, Trainee, Product Manager, Human Resources Manager, Marketing Manager at Mars Sweden and UK, 1987–1995.
Shareholding: Direct: 44,505 class B shares
Related parties: –

Thomas Biesterfeldt

Position: Chief Marketing Officer (CMO) since 2018.
Employed by Cloetta since 2018.
Year of birth: 1980
Nationality: German
Education: MBA (Major Marketing) at Hamburg University of Applied Sciences.
Other assignments: –
Previous positions: Marketing Director at L´Oreal Paris in the Nordics (based in Denmark), previously Marketing and Group product manager at L´Oreal Paris in Germany and Sweden.
Shareholding: Direct: 12,542 class B shares
Related parties: –

Ewald Frenay

Position: President Cloetta Middle Region since 2012
Employed by LEAF since 2000.
Year of birth: 1963
Nationality: Dutch
Education: M.Sc. Economics, Erasmus University Rotterdam, the Netherlands.
Other assignments: –
Previous positions: Interim President Cloetta Italy and Export Markets 2016–2017. Various positions at Leaf 2000–2012 including President Middle at Leaf and Chief Marketing Officer. Member of Leaf Executive Committee, 2008–2012. 2005–2007 Vice President Segment Confectionery, 2004–2005, Marketing Director of RBV Leaf the Netherlands 2000–2004. Several marketing and sales positions at Mars Inc. 1989–1999.
Shareholding: Direct: 33,906 class B shares
Related parties: –

Michiel Havermans

Position: Senior Vice President Cloetta International since 2018.
Employed by Cloetta since 2018.
Year of birth: 1973
Nationality: Dutch
Education: MSc Economics, Erasmus University, Rotterdam.
Other assignments: –
Previous positions: Regional Director sales and marketing for Europe, Middle East, and Americas at United Dutch Breweries (UDB). Export Director, Country Manager UK and Managing Director Vietnam and the Philippines at Perfetti van Melle.
Shareholding: Direct: 17,803 class B shares
Related parties: –

Marcel Mensink

Position: President Operations (COO) since 2017
Employed by Cloetta since 2017.
Year of birth: 1971
Nationality: Dutch
Education: MBA University of Canterbury United Kingdom, B.Sc. Food Technology van Hall Institute, the Netherlands.
Other assignments: –
Previous positions: Supply Director, Mars Supply Petcare Europe. Several leading positions at Mars in various business units, including Petcare, Food and Chocolate. Supply Director Mars Care & Treats Europe. Plant director Mars Food UK, several different operational roles at Mars Chocolate.
Shareholding: Direct: 47,932 class B shares
Related parties: –

Christian Boas Linde

Position: President Cloetta Denmark and Norway since 2018
Employed by Cloetta since 2013.
Year of birth: 1968
Nationality: Danish
Education: M.Sc. Economics, University of Aarhus, Denmark.
Other assignments: Board member of Crispy Foods International A/S, Nakskov Mills Foods A/S and Anne Linde ApS.
Previous positions: Head of Mars Danmark A/S, 2008–2013, several commercial positions at PepsiCo, 2002–2008, HJ Heinz UK, 1999–2002, and Arla Foods, 1993–1996.
Shareholding: Direct: 12,172 class B shares
Related parties: –

Ville Perho

Position: President Cloetta Finland since 2015.
Employed by LEAF since 2004.
Year of birth: 1979
Nationality: Finnish
Education: M.Sc. Turku School of Economics, Finland.
Other assignments: Co-owner and Board member of Varastoaura Oy. Co-owner and Board member of PLH Invest Oy.
Previous positions: Sales Director Cloetta Finland 2010–2015, Category Development Manager LEAF 2004–2010, Global Account Manager Lidl at LEAF 2007–2009.
Shareholding: Direct: 36,678 class B shares
Related parties: –

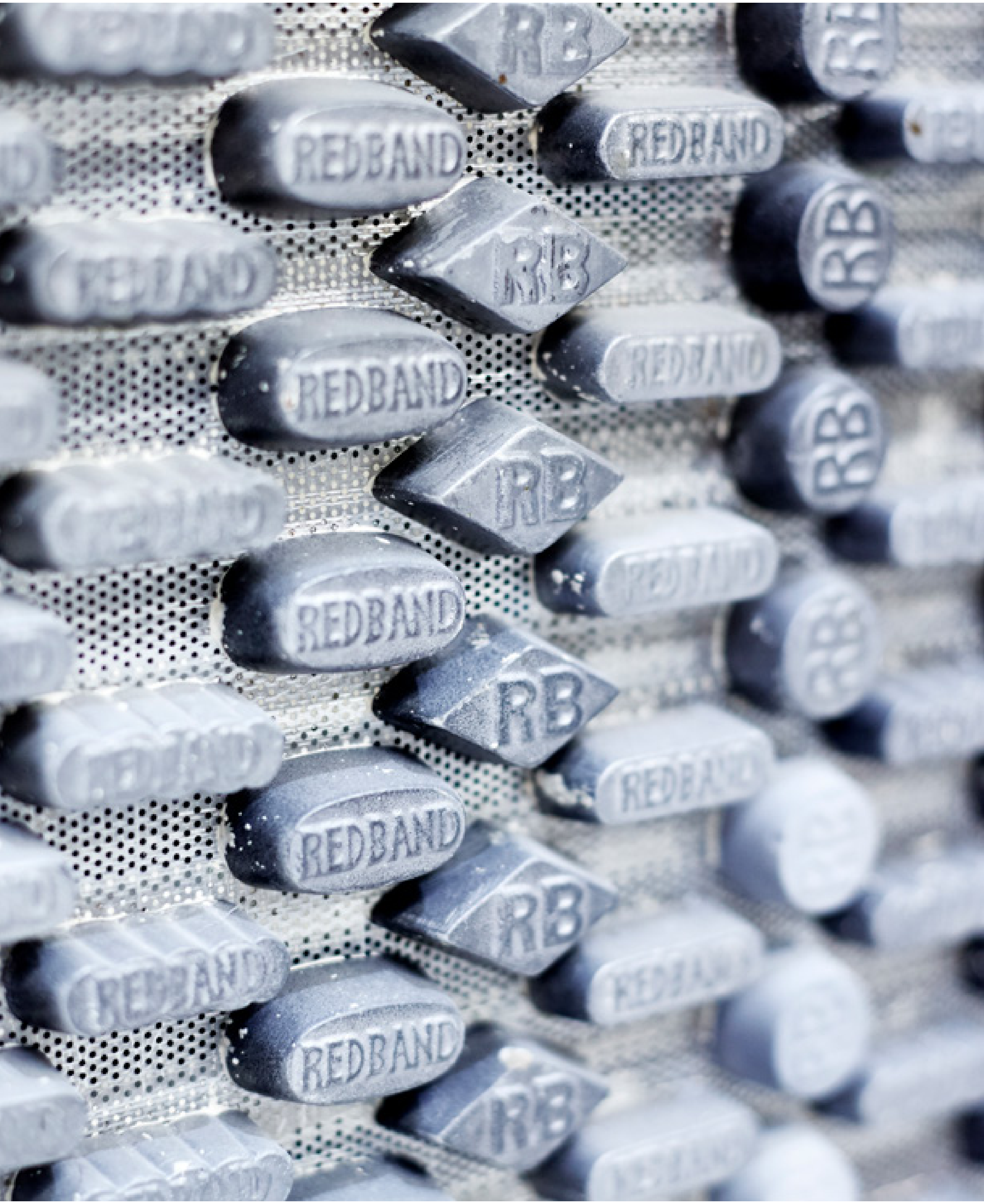
Katarina Tell

Position: President Cloetta Sweden, since 2018.
Employed by Cloetta since 2018.
Year of birth: 1970
Nationality: Swedish
Education: Bachelor Marketing and Administration, Lund University, Masters in Food Nutrition, Umeå University.
Other assignments: Board member of DLF, Dagligvaruleverantörernas Förbund.
Previous positions: General Manager Findus, Sweden. Managing Director Heinz Northern and Eastern Europe, Retail Sales Manager Heinz Sweden, and Business Development Manager Findus.
Shareholding: Direct: 32,291 class B shares
Related parties: –

Niklas Truedsson

Position: Chief Pick & Mix Officer since 2019.
Employed by Cloetta since 1 April 2019.
Year of birth: 1972
Nationality: Swedish
Education: M.Sc. Business Administration and Economics, Lund University, Sweden.
Other assignments: –
Previous positions: Various managerial roles at Unilever in the Nordics and Asia including Country Manager Sweden. CEO at Risenta, part of the Paulig Group.
Shareholding: Direct: 11,378 class B shares
Related parties: –

Shareholding stated as at 31 December 2020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Financial reports

Contents

Consolidated financial statements

Consolidated profit and loss account

SEKm	Note	2020	2019
Net sales	2	5,695	6,493
Cost of goods sold	3, 4, 5, 7	–3,718	–4,112
Gross profit		**1,977**	**2,381**
Selling expenses	3, 4, 5, 7	–951	–1,011
General and administrative expenses	3, 4, 5, 7, 10	–564	–643
Operating profit		**462**	**727**
Exchange differences on cash and cash equivalents in foreign currencies	8	–10	–19
Other financial income	8	3	2
Other financial expenses	8	–52	–62
Net financial items		**–59**	**–79**
Profit before tax		**403**	**648**
Income tax	9	–122	–150
Profit for the year		**281**	**498**
Profit for the year attributable to:			
Owners of the Parent Company		281	498
Earnings per share, SEK			
Basic[1]	19	0.98	1.74
Diluted[1]	19	0.98	1.74
Number of shares at end of period	19	288,619,299	288,619,299
Average number of shares (basic)[1]	19	286,590,993	286,578,395
Average number of shares (diluted)[1]	19	286,805,203	286,724,049

1) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of the long-term share-based incentive plan. The table in Note 21 presents the movements in the contracts after 1 January 2019. At the reporting date one contract is outstanding for 1,985,619 shares at a share price of SEK 24.90.

Consolidated statement of comprehensive income

SEKm	2020	2019
Profit for the year	**281**	**498**
Other comprehensive income		
Remeasurements of defined benefit pension plans	–10	–80
Income tax on remeasurement of defined benefit pension plans	2	17
Items that will never be reclassified to profit or loss for the period	**–8**	**–63**
Currency translation differences	–193	103
Hedge of a net investment in a foreign operation	53	–24
Income tax on hedge of a net investment in a foreign operation	–11	5
Items that are or may be reclassified to profit or loss for the period	**–151**	**84**
Total other comprehensive income	**–159**	**21**
Total comprehensive income, net of tax	**122**	**519**
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	122	519

Consolidated balance sheet

SEKm	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	11	5,563	5,684
Property, plant and equipment	12	1,560	1,559
Deferred tax asset	13	20	9
Other financial assets	14	3	7
Total non-current assets		**7,146**	**7,259**
Current assets			
Inventories	15	952	888
Trade and other receivables	16	736	928
Current income tax assets	13	27	6
Cash and cash equivalents	17	396	579
Total current assets		**2,111**	**2,401**
Total assets		**9,257**	**9,660**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,443	1,443
Other paid-in capital	18	4,124	4,124
Foreign currency translation reserve	18	540	733
Retained earnings including profit for the year	18	–1,928	–2,103
Equity attributable to owners of the Parent Company		**4,179**	**4,197**
Non-current liabilities			
Long-term borrowings	20	111	939
Deferred tax liability	13	837	803
Derivative financial instruments	21	0	3
Provisions for pensions and other long-term employee benefits	23	512	499
Provisions	24	5	5
Total non-current liabilities		**1,465**	**2,249**
Current liabilities			
Short-term borrowings	20	2,368	1,870
Derivative financial instruments	21	54	68
Trade and other payables	22, 25	1,144	1,227
Provisions	24	24	5
Current income tax liabilities	13	23	44
Total current liabilities		**3,613**	**3,214**
Total equity and liabilities		**9,257**	**9,660**

Consolidated statement of changes in equity

SEKm	Share capital	Other paid-in capital	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2019	**1,443**	**4,124**	**630**	**–2,229**	**3,968**
Comprehensive income					
Profit for the year	–	–	–	498	498
Other comprehensive income	–	–	103	–82	21
Total comprehensive income for 2019	**–**	**–**	**103**	**416**	**519**
Transactions with owners					
Forward contracts to repurchase own shares	–	–	–	–6	–6
Share-based payments	–	–	–	3	3
Dividend[1]	–	–	–	–289	–289
Dividend on outstanding shares in forward contracts to repurchase own shares	–	–	–	2	2
Total transactions with owners	**–**	**–**	**–**	**–290**	**–290**
Balance at 31 December 2019	**1,443**	**4,124**	**733**	**–2,103**	**4,197**
Comprehensive income					
Profit for the year	–	–	–	281	281
Other comprehensive income	–	–	–193	34	–159
Total comprehensive income for 2020	**–**	**–**	**–193**	**315**	**122**
Transactions with owners					
Share-based payments	–	–	–	3	3
Dividend[1]	–	–	–	–144	–144
Dividend on outstanding shares in forward contracts to repurchase own shares	–	–	–	1	1
Total transactions with owners	**–**	**–**	**–**	**–140**	**–140**
Balance at 31 December 2020	**1,443**	**4,124**	**540**	**–1,928**	**4,179**

1) The dividend paid in 2020 comprised an ordinary dividend of SEK 0.50 per share. The dividend paid in 2019 comprised an ordinary dividend of SEK 1.00 per share.

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

Consolidated cash flow statement

SEKm	Note	2020	2019
Operating profit		**462**	**727**
Adjustments for non-cash items			
Amortisation/depreciation of assets	3	275	301
Impairment of assets	3	13	2
Provisions for pensions		–3	–10
Other provisions and contingent earn-out considerations		22	–23
Interest received		2	2
Interest paid		–35	–34
Proceeds on derivative financial instruments		–4	–4
Income tax paid		–114	–53
Cash flow from operating activities before changes in working capital		**618**	**908**
Cash flow from changes in working capital			
Change in inventories		–90	–113
Change in trade and other receivables		184	–88
Change in trade and other payables		–56	17
Cash flow from operating activities		**656**	**724**
Investing activities			
Acquisition of subsidiaries	22	–	–146
Investments in property, plant and equipment	12	–267	–167
Investments in intangible assets	11	–23	–19
Disposals of property, plant and equipment	12	1	2
Cash flow from investing activities		**–289**	**–330**
Cash flow from operating and investing activities		**367**	**394**
Financing activities			
Proceeds from loans	20	310	–
Proceeds from commercial papers	20	798	1,557
Transaction costs paid	20	–1	–
Repayment of loans	20	–305	–
Repayment of commercial papers	20	–1,047	–1,558
Payment of lease liabilities	20	–72	–74
Dividends paid		–143	–287
Other cash flow from financing activities		–16	0
Cash flow from financing activities		**–476**	**–362**
Cash flow for the year		**–109**	**32**
Cash and cash equivalents at beginning of year	17	**579**	**551**
Cash flow for the year		–109	32
Exchange difference		–74	–4
Cash and cash equivalents at end of year	17	**396**	**579**

Notes to the consolidated financial statements

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

General information

Cloetta AB (publ), corporate identification number 556308-8144, is a Swedish-registered limited liability company domiciled in Linköping, Sweden. The company's head office is in Stockholm with the address Solna Business Park, Englundavägen 7D, SE-171 06 Solna, Sweden.

Financial year

The consolidated financial statements for the financial year from 1 January to 31 December 2020 include the accounts of the Parent Company and its subsidiaries (collectively the "Group" and individually the "group companies").

The annual report and consolidated financial statements were approved for publication by the Board of Directors on 11 March 2021. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the Annual General Meeting on 6 April 2021 for adoption.

Covid-19

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

Disclosures regarding changes in group structure

Mergers

- On 23 December 2019, E out instrument AB was merged into Cloetta Sverige AB.

Incorporations

- On 10 February 2019, Cloetta Middle East DMCC was incorporated.

Liquidations and dissolutions

- On 8 February 2017, FTF Sweets USA Inc. was dissolved. The three-year unwinding period ended on 8 February 2020.
- On 23 May 2017, Cloetta USA Inc. was dissolved. The three-year unwinding period ended on 23 May 2020.
- On 13 February 2020, Candyking Poland Sp. z o.o. was liquidated.

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

Compliance with legislation and accounting standards

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB), and the interpretations issued by the IFRS Interpretations Committee (IFRIC), which have been endorsed by the European Commission for application in the EU, with supplementary requirements from the Annual Accounts Act. The applied standards and interpretations are those that were in force and have been endorsed by the EU as at 1 January 2020. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

Guidelines on Alternative Performance Measures

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

Activities

The activities of the Group mainly comprise:

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

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

Basis of presentation

Assets and liabilities are recognised at historical cost, with the exception of certain financial assets and liabilities that are stated at fair value according to the accounting policies described below.

Unless otherwise stated, all amounts are rounded to the nearest million Swedish krona.

The preparation of financial statements in conformity with IFRS requires management to use certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these estimates and assumptions are used to make judgements about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are reported in the period of the change, if the change affects that period only. Changes in estimates are reported in the period of the change and in future periods, if the change affects both.

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

Unless otherwise stated below, the following accounting standards for the Group have been consistently applied in periods presented in the consolidated financial statements. The accounting standards for the Group have been consistently applied in reporting and consolidation of the Parent Company and the subsidiaries.

Segment reporting

An operating segment is an identified part of a group that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available. An operating segment's results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its short and long-term financial performance. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The President and CEO, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

Within the Cloetta Group five regions have been identified as the Group's operating segments, following the setup of the responsibility areas in the Group Management Team. These five regions are:

- Sweden,
- Denmark & Norway,
- Finland,
- the Netherlands & Germany, and
- International Markets & the UK.

The vast majority of sales takes place in the markets for confectionery and nuts, i.e. cold snacks between main meals, in Western Europe. It is the Group's goal to realise production efficiency through homogeneous production processes in the different production facilities throughout the Group, regardless of their location. The Group has sales mainly in the confectionery and nuts segment, with comparable markets and customers. The Group has an integrated distribution network and supply chain organisation. The identified operating segments are deemed 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 comprise amounts expected to be recovered or paid after more than twelve months from the balance sheet date, while current assets comprise amounts expected to be recovered or paid within twelve months of the balance sheet date. Non-current liabilities comprise amounts which the Group, at the end of the reporting period, has an unconditional right to choose to pay later than 12 months after the end of the reporting period. If the Group has no such right at the end of the reporting period, or if the liability is expected to be settled within the normal operating cycle, the liability is reported as current liability.

Basis of consolidation

Group structure

The company was originally founded in 1862. On 16 February 2012, Cloetta AB (publ) acquired Leaf Holland B.V. (currently known as Cloetta Holland B.V.) from Yllop Holding S.A. The acquisition has been accounted for as a reverse acquisition for consolidation purposes, where Cloetta Holland B.V. is the accounting acquirer and Cloetta AB (publ) is the legal acquirer.

All incorporated and acquired companies are wholly owned directly or indirectly by Cloetta AB (publ) and are consolidated from the date on which control is transferred.

Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. If the business combination is realised in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the profit and loss account.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Any subsequent change to the fair value of the contingent consideration that is deemed to be a liability is recognised in accordance with IAS 32 in the case of the forward purchase of shares, or IFRS 9 either in the profit and loss account or as a change to other comprehensive income only if it is an asset which is classified as available for sale. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

Transactions eliminated on consolidation

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

Foreign currency

Functional and presentation currency

Items included in the financial information of each of our entities are measured using the functional currency of that entity, which is the currency of the primary economic environment in which the entity operates. The functional currency of foreign entities is generally local currency. The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company.

The consolidated financial statements are presented in SEK. The functional currency of the majority of the subsidiaries is the euro (EUR). The assets and liabilities are translated at the closing rate at the date of the financial statements. Income and expenses are translated at the average exchange rate for the year.

Transactions and balances

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

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

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

A monetary item held by a subsidiary, that is a receivable from or a payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, is in substance a part of the entity's net investment in that foreign operation. Foreign currency differences related to a foreign operation are initially recognised in other comprehensive income and reclassified from equity to the profit and loss account on disposal of the net investment. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation, recognised in other comprehensive income, is reclassified from equity to the profit and loss account on the same line where the gain or loss of the disposal is accounted for.

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

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

Financial statements of foreign operations

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

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

When a foreign operation is disposed of, unrealised exchange differences accumulated in currency translation adjustments after 1 January 2006 (first-time adoption of IFRS) are recognised in profit or loss as part of the gain or loss on the sale. Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities in the functional currency of the attributable foreign entity and translated at the closing rate.

Basis of accounting

With the exception of the changes explained in Note 31, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

I	Net sales
II	Cost of goods sold
III	Other income
IV	Government support
V	Selling expenses
VI	General and administrative expenses
VII	Employee remuneration
VIII	Research and development expenses
IX	Net financial items
X	Income tax
XI	Dividend distribution
XII	Items affecting comparability
XIII	Intangible assets
XIV	Property, plant and equipment
XV	Deferred tax
XVI	Financial assets
XVII	Impairment of non-current non-financial assets
XVIII	Derivative financial instruments and hedging activities
XIX	Inventories
XX	Current income tax
XXI	Cash and cash equivalents
XXII	Offsetting financial instruments
XXIII	Equity
XXIV	Other non-current liabilities
XXV	Provisions
XXVI	Employee benefits
XXVII	Borrowings
XXVIII	Borrowing costs
XXIX	Trade payables
XXX	Leases

The balance sheet, profit and loss account and cash flow statement include references to the notes.

Recognition of revenue and expenses

I Net sales

Net sales are designated as income from the supply of goods, less discounts and similar, excluding sales taxes and after elimination of intra-group sales. Net sales are recognised as follows:

- Sales of goods are recognised when a group company has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and the collectability of the related receivables is reasonably certain.

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

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

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

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

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

II Cost of goods sold

Cost of goods sold represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted out and other external expenses, personnel expenses in respect of production employees, depreciation costs, impairment losses and losses on disposal relating to buildings and machinery and other operating expenses that are attributable to the production of products. Cost of goods sold is recognised in the profit and loss account, simultaneously with the income derived from the related sales transaction.

III Other income

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

IV Government support

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

V Selling expenses

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

VI General and administrative expenses

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

VII Employee remuneration

Regular payments

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

Termination benefits

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

Share-based long-term incentive plans

The cost of the share-based long-term incentive plans, which represent the grant date fair value of the shares expected to be vested, multiplied by the shares vested and any social security expenses, is recognised in personnel expenses, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account. The costs of the share-based long-term incentive plans are recognised pro rata over the vesting period of each plan.

VIII Research and development expenses

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

IX Net financial items

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

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

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

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

X Income tax

The income tax expense for the period comprises current and deferred tax and is recognised in the profit and loss account. Corporate income tax is calculated on profit before tax in the profit and loss account, taking into account non-deductible expenses, non-taxable profits and losses, temporary differences arising from applicable local tax laws and other factors that affect the tax rate, e.g. changes in valuation allowances, adjustments in tax positions and changes in tax law, such as changes in enacted or substantively enacted tax rates.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable profits.

XI Dividend distribution

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

XII Items affecting comparability

Items affecting comparability are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence, in order to enable a full understanding of the Group's financial performance. Items affecting comparability are recognised in the profit and loss account. Their classification in the profit and loss account depends on the nature of the items affecting comparability.

Principles of valuation of assets and liabilities

General

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

XIII Intangible assets

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

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

Trademarks

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

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. A group of CGUs is not larger than an operating segment.

Goodwill impairment tests are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less cost of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Software

Where computer software is not an integral part or a related item of computer hardware and not integral to the operation of an item of property, plant and equipment, the software is treated as a separate intangible asset.

Acquired software licenses are capitalised at historical cost and amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

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

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

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

Other intangible assets

An 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.

Other intangible assets, except the right of free electricity, contain acquired customer lists and capitalised registration fees, and are capitalised at historical cost and amortised based on their useful lives, with the useful lives reviewed annually. Other intangible assets are subject to impairment testing at least annually, or whenever events or circumstances indicate a risk of impairment.

For determining whether an impairment charge in respect of any intangible asset applies, see Note 11.

XIV Property, plant and equipment

Items of property, plant and equipment are valued at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs including interest expenses. Depreciation is accounted for using the straight-line method on the basis of the estimated economic useful life.

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

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

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

Subsidies and grants related to investments in property, plant and equipment are deducted from the historical cost or the construction cost of the related asset and are reflected in the profit and loss account as part of the depreciation charge.

Depreciation of property, plant and equipment is recognised in cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account depending on the nature of the asset.

XV Deferred tax

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

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

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

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

Deferred income tax liabilities arise on taxable temporary differences arising from investments in subsidiaries, with the exception of deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The positions taken in tax returns with respect to situations where the applicable tax rules are subject to interpretation are periodically evaluated. Provisions are established where appropriate on the basis of amounts expected to be paid to the respective tax authorities.

Deferred taxes are not discounted.

XVI Financial assets

Recognition and initial measurement

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

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

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

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

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

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

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

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

The Group does not currently own any financial assets recognised at FVOCI – neither debt nor equity investments. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets, see Note 21.

Subsequent measurement and gains and losses

– Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 21 for derivatives designated as hedging instruments.
– Financial assets at amortised costs	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

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

XVII Impairment of non-current non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also assesses whether there are indications of impairment of assets that are subject to amortisation or depreciation. If such indications exist, an impairment test is performed. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its carrying value is higher than its recoverable value, where the recoverable value is the higher of an asset's fair value less cost of disposal and its value in use. Impairment costs are recognised immediately in the profit and loss account. The classification in the profit and loss account depends on the nature of the impaired asset.

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

XVIII Derivative financial instruments and hedging activities

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

The fair values of various derivative financial instruments are disclosed in Note 21. Movements in the hedging reserve in other comprehensive income are shown in the statement of other comprehensive income. The fair value of a derivative is classified as a non-current asset or liability for the part which exceeds 12 months, and as a current asset or liability for the part that will expire within 12 months.

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

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

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

Net investment hedge

The Group applies hedge accounting. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

XIX Inventories

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

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Costs related to work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing overhead costs based on normal operating capacity, and variable manufacturing overhead costs based on actual production during the period.

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

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

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

XX Current income tax

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

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

XXI Cash and cash equivalents

Cash and cash equivalents represent cash in hand and cash at banks.

Current account overdrafts at banks are included under borrowings under the heading current liabilities.

XXII Offsetting financial instruments

The Group has a multicurrency zero-balancing cash pool with Danske Bank A/S. Until 13 November 2019 and 25 March 2020 respectively the Group also had a Multicurrency Functionality with Credit Facility for Global Cash Pool (Global Cash Pool agreement) with Nordea Bank AB (publ) and a Notional Group Account with Svenska Handelsbanken AB (publ). Insofar as the following criteria are met, the cash and cash equivalents of participating group companies and the current account overdrafts at Nordea Bank AB (publ), Svenska Handelsbanken AB (publ) and Danske Bank A/S are offset and presented in the balance sheet as a net amount:

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

XXIII Equity

Ordinary shares are classified as share capital. Incremental costs directly attributable to the purchase, sale and/or issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

XXIV Other non-current liabilities

Contingent considerations

The fair value of the contingent considerations is calculated using the income approach and is linked to the performance of the acquired companies. As part of accounting for business combinations, contingent considerations are initially recognised. Contingent considerations are discounted using the effective interest method. If the fair value of contingent considerations deviates from the carrying amount, the difference is recognised in general and administrative expenses in the profit and loss account.

If the contingent consideration will be settled within 12 months from the balance sheet date, the contingent consideration is presented as part of trade and other payables.

XXV Provisions

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

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

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

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

If the expenditure to settle an obligation is expected to be recovered from a third party, the recovery is carried as an asset in the balance sheet if it is virtually certain to be received upon settlement of the obligation.

XXVI Employee benefits

Pension obligations

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

Remeasurements arising from defined benefit plans also include the return on plan assets excluding interest and the effect of the asset ceiling, if any, excluding interest. Remeasurements are recognised in other comprehensive income when incurred. All other expenses related to defined benefit plans are recognised in the profit and loss account when incurred, either in cost of goods sold, selling expenses or general and administrative expenses.

The interest on defined benefit obligations and plan assets is recognised in net financial items in the profit and loss account when incurred.

The defined benefit schemes in industry sector pension funds, which are held by pension funds that are not able to provide company-specific or reliable information, are accounted for as though they are defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

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

Termination benefits

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

Share-based payments

Share-based long-term incentive plans

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

The total expense depends on the number of share rights vested, but any changes in the price of the Cloetta share after the grant date do not impact the total expense. In some jurisdictions, social security expenses have to be paid. The total expense for social security contributions will be based on the vesting date fair value of the Cloetta share and is accrued on the balance sheet until vesting of the shares. Social security expenses recognised in the profit and loss account will therefore vary with changes in the share price.

Forward contracts to repurchase own shares

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

XXVII Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

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

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

XXVIII Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in other financial expenses in the profit and loss account in the period in which they are incurred.

XXIX Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are classified as current liabilities if payment is due within one year or less. If payment is expected to be settled later than 12 months after the balance sheet date, the payable is presented as non-current liabilities.

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

XXX Leases

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

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

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

Note 2 Breakdown of income

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

Disaggregation of revenue from contracts with customers

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

SEKm	2020	2019
Net sales		
Branded packaged products	4,527	4,709
Pick & mix	1,168	1,784
Total	**5,695**	**6,493**

The breakdown of net sales by category is as follows:

	Total income		Of which pick & mix	
SEKm	**2020**	**2019**	**2020**	**2019**
Net sales				
Candy	3,351	3,839	876	1,339
Chocolate	992	1,123	239	370
Pastilles	686	780	–	–
Chewing gum	371	410	–	–
Nuts	172	224	53	75
Other	123	117	–	–
Total	**5,695**	**6,493**	**1,168**	**1,784**

The breakdown of net sales by country is as follows:

%	2020	2019
Sweden	31	31
Finland	22	21
The Netherlands	15	14
Denmark	9	10
The UK	5	7
Germany	6	6
Norway	6	5
Other countries	6	6
Total	**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 impairments of non-current assets

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

SEKm	2020	2019
Software	17	32
Other intangibles	10	11
Land and buildings	20	17
Machinery and equipment	155	165
Right-of-use assets	73	76
Total amortisation/depreciation	**275**	**301**
Amortisation/depreciation has been allocated by function as follows:		
Cost of goods sold	173	187
Selling expenses	10	11
General and administrative expenses	92	103
Total amortisation/depreciation	**275**	**301**
(Reversal of) Impairment		
Intangible assets	–2	2
Property, plant and equipment	15	–
Total impairment	**13**	**2**
Depreciation charge right-of-use assets by asset category:		
Land and buildings	34	34
Transport	30	31
Other equipment	9	11
Total depreciation charge right-of-use asset	**73**	**76**

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

Note 4 Expenses by type

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

SEKm	2020	2019
Raw materials and consumables used including change in inventory of finished goods and work in progress	2,224	2,539
Personnel expenses (See Note 5)	1,387	1,440
Depreciation, amortisation and impairment charges (See Note 3)	288	303
Transportation expenses	207	236
Lease expenses	25	22
Advertising, promotion, selling and marketing expenses	415	407
Energy expenses	112	127
Maintenance expenses	126	133
Other operating expenses	449	559
Total operating expenses	**5,233**	**5,766**

The costs recognised relating to research and development amount to SEK 26m (35).

Note 5 Personnel expenses and number of employees

See Note 1 (VI) for the accounting policy.

Personnel expenses are specified as follows:

SEKm	2020	2019
Salaries and remuneration Group Management Team		
– Sweden	18	28
– Other	15	22
Of which, short-term variable compensation		
– Sweden	0	9
– Other	0	5
Pension costs Group Management Team		
– Defined contribution plans	7	7
Total salaries, remuneration and pension costs Group Management Team	**40**	**57**
Salaries and remuneration, other employees		
– Sweden	284	305
– Other	691	683
Pension costs, other employees		
– Defined contribution plans	63	65
– Defined benefit plans	12	7
Total salaries, remuneration and pension costs, other employees	**1,050**	**1,060**
Personnel expenses, all employees		
Total salaries, remuneration and pension costs	1,090	1,117
Social security expenses	231	255
Other personnel costs	66	68
Total personnel expenses	**1,387**	**1,440**

The average number of employees is as follows:

#	2020	2019
– Group Management Team	11	12
– Other employees	2,642	2,617
Of whom, women		
– Group Management Team	2	2
– Other employees	1,425	1,431

The average number of employees by country is as follows:

#	2020	2019
Sweden	700	715
Slovakia	749	757
The Netherlands	510	474
Finland	223	220
The UK	127	121
Belgium	114	111
Denmark	103	99
Ireland	73	74
Norway	34	40
Germany	10	10
Italy	4	4
Other	6	4
Total	**2,653**	**2,629**
Of whom, women:		
Sweden	381	388
Slovakia	473	495
The Netherlands	165	158
Finland	183	181
The UK	89	83
Belgium	24	20
Denmark	57	51
Ireland	28	27
Norway	16	21
Germany	6	5
Italy	2	2
Other	3	2
Total	**1,427**	**1,433**

The specification of the gender distribution is as follows:

%	2020	2019
Percentage of women		
Board of Directors	29	43
Group Management Team	18	17
Other employees	54	55

See pages 88–89 for further details on remuneration of the Group Management Team.

Note 6 Remuneration of the Board

Paid fees 2020 SEK 000s	Board fees	Committee fees	Total
Board Chairman			
Mikael Norman[1]	457	67	524
Lilian Fossum Biner[2]	228	33	261
Board members			
Mikael Aru	315	100	415
Patrick Bergander	315	150	465
Lottie Knutson	315	33	348
Alan McLean Raleigh	315	67	382
Camilla Svenfelt	315	100	415
Mikael Svenfelt	315	150	465
Total	**2,575**	**700**	**3,275**

Paid fees 2019 SEK 000s	Board fees	Committee fees	Total
Board Chairman			
Lilian Fossum Biner	663	100	763
Board members			
Mikael Aru	305	100	405
Patrick Bergander[3]	210	100	310
Lottie Knutson	305	100	405
Alan McLean Raleigh	305	–	305
Mikael Norman[4]	95	50	145
Camilla Svenfelt	305	100	405
Mikael Svenfelt	305	150	455
Total	**2,493**	**700**	**3,193**

1) Elected as per 2 April 2020.
2) Resigned on 2 April 2020.
3) Elected as per 4 April 2019.
4) Resigned on 4 April 2019.

Note 7 Items affecting comparability

See Note 1 (XI) for the accounting policy.

SEKm	2020	2019
Acquisitions, integration and restructurings	–53	–13
of which: impairment losses other non-current assets	*–11*	*–*
Other items affecting comparability	–	–3
Total	**–53**	**–16**
Corresponding line in the consolidated profit and loss account:		
Cost of goods sold	–19	2
Selling expenses	–12	–6
General and administrative expenses	–22	–12
Total	**–53**	**–16**

See pages 154–155 for alternative performance measures.

Note 8 Net financial items

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

SEKm	2020	2019
Exchange differences in cash and cash equivalents in foreign currencies	**–10**	**–19**
Other financial income, third parties	2	2
Other financial income at amortised cost	**2**	**2**
Unrealised gains on single currency interest rate swaps	1	0
Other financial income at fair value	**1**	**0**
Total other financial income	**3**	**2**
Interest expenses, third-party borrowings	–28	–24
Interest expenses, third-party pensions	–7	–11
Interest expenses, contingent earn-out liabilities	–	–4
Amortisation of capitalised transaction costs	–2	–1
Other financial expenses, third parties	–11	–16
Other financial expenses at amortised cost	**–48**	**–56**
Unrealised losses on single currency interest rate swaps	–	–1
Realised losses on single currency interest rate swaps	–4	–5
Other financial expenses at fair value	**–4**	**–6**
Total other financial expenses	**–52**	**–62**
Net financial items	**–59**	**–79**

Note 9 Income taxes

See Note 1 (X) for the accounting policy.

SEKm	2020	2019
Current income tax	69	85
Deferred income tax	53	65
Total	**122**	**150**
The year's income tax expense corresponds to an effective tax rate of, %	30.3	23.1

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

SEKm	2020	2019
Profit before tax	403	648
Tax calculated at applicable tax rate for the Parent Company	–86	–139
International rate differences	0	–4
State and local taxes	–	0
Expenses not deductible for tax purposes	0	–10
Adjustments recognised in the period for tax of prior periods	–8	5
Effect of (substantively) enacted tax rate changes	–31	–3
Tax losses for which no deferred income tax asset was recognised in previous years	4	3
Other	–1	–2
Income tax	**–122**	**–150**
Reported effective tax rate, %	30.3	23.1
Tax rate of Parent Company, %	21.4	21.4

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

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

Note 10 Audit fees

SEKm	2020	2019
Fee for auditing services	**6**	**6**
Fee for other services		
– Tax advice	–	0
– Audit-related advice	0	0
– Other	–	0
Total other services	**0**	**0**
Total audit fees	**6**	**6**

For both the financial years 2019 and 2020 PwC was elected as auditor of the Group.

Auditing services relate to:

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

Note 11 Intangible assets

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

SEKm	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2019					
Acquisition or production costs	3,160	2,586	291	158	6,195
Accumulated amortisation and impairments	–53	–233	–228	–55	–569
Book value at 1 January 2019	**3,107**	**2,353**	**63**	**103**	**5,626**
Movements in 2019					
Additions	–	–	19	–	19
Amortisation	–	–	–32	–11	–43
Impairments	–	–	–	–2	–2
Transfers from property, plant and equipment	–	–	1	–	1
Exchange differences	33	47	2	1	83
Total	**33**	**47**	**–10**	**–12**	**58**
31 December 2019					
Acquisition or production costs	3,198	2,638	315	136	6,287
Accumulated amortisation and impairments	–58	–238	–262	–45	–603
Book value at 31 December 2019	**3,140**	**2,400**	**53**	**91**	**5,684**
Movements in 2020					
Additions	–	–	23	–	23
Amortisation	–	–	–17	–10	–27
Reversal of impairments	–	–	–	2	2
Exchange differences	–63	–53	–4	1	–119
Total	**–63**	**–53**	**2**	**–7**	**–121**
31 December 2020					
Acquisition or production costs	3,135	2,575	324	137	6,171
Accumulated amortisation and impairments	–58	–228	–269	–53	–608
Book value at 31 December 2020	**3,077**	**2,347**	**55**	**84**	**5,563**
Estimated economic useful life	*Indefinite*	*Indefinite*	*3–5 years*	*5 years – indefinite*	

The carrying amount of software includes an amount of SEK 24m (10) for software under construction.

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

Impairment testing of goodwill and trademarks

Goodwill and trademarks do not generate cash inflows that are largely independent of those from other assets. These are therefore allocated to the cash-generating unit (CGU) or group of CGUs expected to benefit most from these assets. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. A group of CGUs is not larger than an operating segment.

The estimated recoverable amount of all CGUs and groups of CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the company's management covering a five-year period, taking into account asset specific risks. Cash flows beyond the five-year period are extrapolated using a terminal growth rate.

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

These assumptions have been used for the analysis of each CGU and group of CGUs in the impairment analysis. The budgeted figures are based on past performance and the company management's expectations for market development. The weighted average growth rates used are consistent with the forecasts used in the Group. Discount rates have been determined by applying the capital asset pricing model. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry and the risk particularly associated with the asset for which the estimates of the future cash flows have not been adjusted. As a result of the current economic circumstances due to Covid-19, Cloetta assessed that the risk of a negative financial impact in connection to a declining business, versus the previous year, increased during the year. The negative impact of current market conditions on Cloetta's business and the expected time for the situation to normalise has resulted in an increased valuation risk for goodwill and trademarks. Cloetta updated its impairment analysis for goodwill and trademarks in the interim condensed financial statements for both the interim reports for the second and third quarter, and performed a sensitivity analysis to assess the impact of potential movements of various input factors, such as the long-term growth rate and the discounting factor. Cloetta performed a further analysis and assessed the impact of different scenarios, taking into consideration the uncertainties in the expected future financial performance and business performance for the part of the business that was impacted most. As the headroom per CGU remained positive in this analysis, no impairment was recognised. The assumptions used in performing the interim impairment analysis have been updated for the annual impairment test in December.

For impairment testing, the following assumptions have been used

%	Terminal growth rate 2020	Terminal growth rate 2019	Pre-tax discount rate including inflation[1] 2020	Pre-tax discount rate including inflation[1] 2019
Scandinavia	n/a	2.5	n/a	7.2
Sweden	1.7	2.5	6.5	7.2
Denmark & Norway	1.7	2.5	7.3	7.2
Finland	1.7	2.5	8.0	8.8
Middle	n/a	2.5	n/a	8.4
The Netherlands	1.7	2.5	7.3	8.4
The Netherlands & Germany	1.7	2.5	7.3	8.4
International Markets & the UK	1.7	2.5	8.5	8.4
Group	1.7	2.5	6.2	6.8

1 Pre-tax discount rates have been restated to include an inflation component, to align with the terminal growth rates that also include an inflation component.

In performing the impairment tests for goodwill and trademarks, a sensitivity analysis has been performed for each CGU and group of CGUs. The estimated recoverable amount of the Netherlands & Germany group of CGUs exceeds its carrying amount by approximately SEK 342m. If the terminal growth rate decreases by 1.9 percentage points to –0.2 per cent, the pre-tax discount rate will increase by 1.5 percentage points to 8.8 per cent, or if the expected EBITDA decreases by SEK 20m per year, the estimated recoverable amount of the Netherlands & Germany group of CGUs will be equal to its carrying amount. For the other groups of CGUs a reasonable change in assumptions will not lead to an impairment.

Goodwill

Goodwill is allocated to a CGU or group of CGUs not larger than an operating segment. The allocation has been made to the groups of CGUs that correspond to the operating segments that are expected to benefit most, which are the commercial organisations of Sweden, Denmark & Norway, Finland, the Netherlands & Germany and International Markets & the UK. As a result of the division of the Scandinavia group of CGUs into Denmark & Norway and Sweden, and of the Middle group of CGUs into the Netherlands & Germany and International Markets & the UK, the goodwill of prior acquisitions has been reallocated. The reallocation has taken place using a relative value approach.

Note 1
Note 2
Note 3
Note 4
Note 5
Note 6
Note 7
Note 8
Note 9
Note 10
Note 11
Note 12
Note 13
Note 14
Note 15
Note 16
Note 17
Note 18
Note 19
Note 20
Note 21
Note 22
Note 23
Note 24
Note 25
Note 26
Note 27
Note 28
Note 29
Note 30
Note 31
Note 32

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

SEKm	Scandinavia	Sweden	Norway & Denmark	Finland	Middle	International Markets & the UK	The Netherlands & Germany	Total
1 January 2019	**979**	**–**	**–**	**1,047**	**327**	**–**	**–**	**2,353**
Exchange rate differences	6	–	–	24	17	–	–	47
31 December 2019	**985**	**–**	**–**	**1,071**	**344**	**–**	**–**	**2,400**
Reallocation goodwill	–985	504	481	–	–344	50	294	–
Exchange rate differences	–	–	–3	–39	–	–2	–9	–53
31 December 2020	**–**	**504**	**478**	**1,032**	**–**	**48**	**285**	**2,347**

Trademarks

For trademarks, the related CGUs are the commercial organisations of the countries that own the respective trademarks. The products are mainly sold in the countries owning the trademarks. If products are sold by Group companies in other countries, the trademark owner charges royalty fees to the selling party.

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

SEKm	Sweden	Finland	The Netherlands	Other (corporate assets)	Total
1 January 2019	**1,545**	**530**	**969**	**63**	**3,107**
Exchange rate differences	–	11	21	1	33
31 December 2019	**1,545**	**541**	**990**	**64**	**3,140**
Exchange rate differences	–	–21	–39	–3	–63
31 December 2020	**1.545**	**520**	**951**	**61**	**3,077**

The key assumptions underlying the cash flow projections for the period covered by recent forecasts are included in the table below

Key assumption used in value in use calculation	Basis for determining value assigned to key assumption
EBITDA	External market studies on growth of market, historical growth rates, current market developments and outlook for a five year period.

Impairment of goodwill and trademarks

An impairment analysis has been performed in which the carrying amount of a CGU or group of CGUs is compared with the total recoverable amount. No impairments on goodwill or trademarks have been recorded in the financial years 2019 and 2020.

Corporate assets

Group-wide assets and liabilities, including the right of free electricity and software under construction, that cannot be directly allocated on a reasonable and consistent basis to the CGUs or groups of CGUs are classified as corporate assets. A group impairment analysis has been performed in which the carrying amount of the total group of CGUs, including the portion of the carrying amount representing the Group's corporate assets, is compared with the total recoverable amount.

Note 12 Property, plant and equipment

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

SEKm	Land and buildings	Machinery and equipment	Assets under construction	Right-of-use assets	Total
1 January 2019					
Acquisition or production costs	790	3,640	43	–	4,473
Accumulated depreciation and impairments	–366	–2,753	–	–	–3,119
Book value at 1 January 2019	**424**	**887**	**43**	**–**	**1,354**
Movements in 2019					
Initial application of IFRS 16 on 1 January 2019	–	–	–	229	229
Additions	–	26	141	49	216
Disposals	–	–1	–1	–1	–3
Early terminations right-of-use assets	–	–	–	–1	–1
Transfers	8	95	–103	–	–
Transfers to intangibles	–	–1	–	–	–1
Depreciation	–17	–165	–	–76	–258
Exchange differences	8	12	0	3	23
Total	**–1**	**–34**	**37**	**203**	**205**
31 December 2019					
Acquisition or production costs	813	3,751	80	266	4,910
Accumulated depreciation and impairments	–390	–2,898	–	–63	–3,351
Book value at 31 December 2019	**423**	**853**	**80**	**203**	**1,559**
Movements in 2020					
Additions	–	2	265	82	349
Disposals	–	–1	–	–3	–4
Early terminations right-of-use assets	–	–	–	–29	–29
Transfers	75	147	–222	–	–
Depreciation	–20	–155	–	–73	–248
Impairments	–1	–10	–	–4	–15
Exchange differences	–17	–24	–5	–6	–52
Total	**37**	**–41**	**38**	**–33**	**1**
31 December 2020					
Acquisition or production costs	856	3,784	118	281	5,039
Accumulated depreciation and impairments	–396	–2,972	–	–111	–3,479
Book value at 31 December 2020	**460**	**812**	**118**	**170**	**1,560**
Estimated economic useful life	*Buildings: 20–50 years Land: Indefinite*	*3–55 years*	*N/A*	*1–33 years*	

At 31 December 2020, the Group had contractual commitments for purchases of machinery and equipment for an amount of SEK 18m (37).

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

SEKm	31 Dec 2020	31 Dec 2019
Land and buildings	95	113
Transport	52	56
Other equipment	23	34
Total	**170**	**203**

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

	Estimated economic useful life
Production lines	5–35 years
Packaging lines	5–25 years
Production equipment	5–55 years
IT hardware	3–5 years
Fixtures	5 years
Furniture	5–10 years
Production vehicles	7–15 years
Vehicles	5 years
Other	5–10 years

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

The breakdown of property, plant and equipment and intangible assets by country is as follows:

SEKm	31 Dec 2020	31 Dec 2019
Sweden	2,480	2,998
Finland	1,607	1,642
The Netherlands	1,550	1,658
Other countries	1,486	945
Total	**7,123**	**7,243**

Note 13 Tax assets and liabilities

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

Deferred tax assets and liabilities relate, among other things, to the tax effect of the difference between the tax base of the defined asset or liability and its carrying amount and the recognised tax losses carried forward.

Movements of deferred tax assets and liabilities per category are specified as follows:

SEKm	Tax losses carried forward	Property plant & equipment	Intangible assets	Provisions (incl. pensions)	Other assets and liabilities	Total
1 January 2019	**44**	**–153**	**–601**	**41**	**–69**	**–738**
Profit and loss account (charge)/ credit for the year	–17	11	–13	–3	–20	–42
Adjustments recognised in the period for tax of prior periods	–5	–1	0	0	0	–6
Effect of rate changes	–2	–1	–10	0	0	–13
Exchange differences/Other	1	–2	–8	17	–3	5
31 December 2019	**21**	**–146**	**–632**	**55**	**–92**	**–794**
Profit and loss account (charge)/ credit for the year	11	5	–27	–2	–15	–28
Adjustments recognised in the period for tax of prior periods	8	1	2	0	–5	6
Effect of rate changes	0	–6	–28	0	2	–32
Exchange differences/Other	–2	4	18	6	5	31
31 December 2020	**38**	**–142**	**–667**	**59**	**–105**	**–817**

Deferred tax assets and liabilities are broken down as follows:

SEKm	31 Dec 2020	31 Dec 2019
Deferred tax assets	20	9
Deferred tax liabilities	–837	–803
Total	**–817**	**–794**

Deferred tax assets are expected to be realised as follows:

SEKm	31 Dec 2020	31 Dec 2019
Deferred tax asset to be realised after more than 12 months	19	8
Deferred tax asset to be realised within 12 months	1	1
Total	**20**	**9**

The composition of deferred tax assets for deductible temporary differences and tax losses carried forward is as follows:

	31 Dec 2020		31 Dec 2019	
SEKm	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	106	–	115	–
Tax losses carried forward	38	22	21	28
Total	**143**	**22**	**136**	**28**

In the countries where Cloetta has tax losses carried forward, these do not expire.

Deferred tax liabilities

The deferred tax liability is recognised to account for the taxable temporary differences between the tax bases of intangible assets, property, plant and equipment, work in progress, inventories, receivables and provisions and their carrying amounts.

SEKm	31 Dec 2020	31 Dec 2019
Deferred tax liability to be recovered after more than 12 months	837	793
Deferred tax liability to be recovered within 12 months	0	10
Total	**837**	**803**

Current income tax

SEKm	31 Dec 2020	31 Dec 2019
Current income tax assets	27	6
Current income tax liabilities	–23	–44
Total	**4**	**–38**

See also Note 30 for further details regarding accounting estimates and judgments in respect of the ongoing tax audits.

Note 14 Non-current financial assets

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

SEKm	31 Dec 2020	31 Dec 2019
Deposits	2	2
Funded pension schemes in a net asset position	1	–
Other financial assets	0	5
Total	**3**	**7**

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

None of the different classes of non-current financial assets contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

See Note 23 for further details on the funded pension schemes in a net asset position.

Note 15 Inventories

See Note 1 (XIX) for the accounting policy.

Inventories for own use and resale

SEKm	31 Dec 2020	31 Dec 2019
Raw materials and consumables	286	282
Work in progress	60	69
Finished goods and goods for resale	606	537
Total	**952**	**888**

Movements in the provision for obsolete inventory are as follows:

SEKm	2020	2019
At 1 January	**19**	**20**
Provision for impairment of inventories	10	–1
Inventories written off during the year as obsolete	-11	–
Unused amounts reversed	0	–1
Exchange differences	0	1
At 31 December	**18**	**19**

Note 16 Trade and other receivables

See Notes 1 (XVI) for the accounting policy.

SEKm	31 Dec 2020	31 Dec 2019
Trade debtors	650	826
Loss allowances for trade receivables	–4	–3
Trade receivables – net	**646**	**823**
Other receivables	58	47
Prepaid expenses and accrued income	32	58
Total	**736**	**928**

Movements in the loss allowance for trade receivables are as follows:

SEKm	2020	2019
At 1 January	**3**	**1**
Provision for impairment of trade receivables	2	3
Trade receivables written off during the year as uncollectible	–1	0
Unused amounts reversed	0	–
Exchange differences	0	–1
At 31 December	**4**	**3**

Cloetta Denmark ApS entered into a receivable purchase agreement with Skandinaviska Enskilda Banken for one Danish customer. As a result per year-end, Cloetta Denmark ApS received an amount of DKK 17m (0), equivalent to SEK 24m (0) in advance before the due date. Cloetta Denmark ApS pays a discount fee for the early receipt based on 3M CIBOR with a zero-floor clause and a fixed margin.

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

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

The age analysis of the trade receivables including loss allowances is as follows:

SEKm	31 Dec 2020 Gross carrying amount	31 Dec 2020 Loss allowance	31 Dec 2020 Net carrying amount	31 Dec 2019 Gross carrying amount	31 Dec 2019 Loss allowance	31 Dec 2019 Net carrying amount
Current (not past due)	603	–	603	694	–	694
Up to 30 days past due	36	–	36	92	–	92
30 to 60 days past due	4	–	4	13	–	13
60 to 90 days past due	1	–	1	6	–	6
Over 90 days past due	6	–4	2	21	–3	18
Total	**650**	**–4**	**646**	**826**	**–3**	**823**

The other receivables and prepaid expenses and accrued income do not contain any provided amounts.

As of 31 December 2020, trade receivables of SEK 43m (132) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

Credit losses on other receivables and accrued income are expected to be immaterial.

Trade receivables in an amount of SEK 40m are covered by credit insurance.

The carrying amounts are assumed to approximate the fair values of trade receivables and other receivables. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of trade receivables are denominated in the following currencies:

SEKm	31 Dec 2020	31 Dec 2019
Euro	245	287
Swedish krona	214	266
Danish krone	110	132
Great Britain pound	41	91
Norwegian krone	20	30
US dollar	3	5
Other currencies	13	12
Total	**646**	**823**

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

SEKm	31 Dec 2020	31 Dec 2019
Prepaid IT expenses	7	10
Prepaid rent, insurance and lease charges	7	8
Prepaid personnel-related expenses	2	3
Prepaid marketing expenses	3	1
Prepayments on inventory	0	5
Prepaid deposits	4	5
Other prepaid expenses	8	20
Other accrued income	1	6
Total	**32**	**58**

Note 17 Cash and cash equivalents

See Notes 1 (XXI) and (XXII) for the accounting policy.

The item cash and cash equivalents in the consolidated cash flow statement and consolidated balance sheet consists of the following:

SEKm	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	396	579
Total	**396**	**579**

All cash and cash equivalents are available on demand.

The multicurrency functionality with credit facility for global cash pool (Global Cash Pool agreement) with Nordea Bank AB (publ) was applicable to the Group as of the date of the acquisition of Candyking Holding AB and its subsidiaries. Svenska Handelsbanken AB (publ) provided the Group with a Notional Group Account (NGA). In 2018 Danske Bank A/S provided the Group with a Multicurrency Zero Balancing Cash Pool (MZBCP).

In conjunction with the inclusion of nearly all group companies in the MZBCP in 2019, the Global Cash Pool agreement was terminated on 13 November 2019 and the NGA was terminated on 25 March 2020.

The MZBCP enables Cloetta AB (publ) and its subsidiaries to use the funds available as deposited in the bank in one or more currencies for the purpose of efficient liquidity management and daily payments in the ordinary course of business. The MZBCP provide the possibility to make withdrawals from accounts held by the bank in different currencies and in different countries without the necessary funds being available in the respective currency, provided that the corresponding funds are available considering the balances on all accounts in the MZBCP, and any amounts available for this purpose pursuant to any credit facility and/or intraday revolving facility agreed upon separately. The MZBPC is based on, and connects, accounts in local account structures in different countries in which group companies participate as sub-account holders.

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

The following table shows the carrying amounts of recognised offsetting of financial assets and liabilities relating to the Global Cash Pool agreement, the NGA and the MZBCP

2020 **SEKm**	Gross amounts of financial instruments	Negative cash balances in cash pools offset by positive cash balances	Net amount presented in the balance sheet	Related financial instruments that are not offset: Cash balances outside cash pools	Related financial instruments that are not offset: Other loans from credit institutions	Net amount
Cash and cash equivalents	2,945	–2,585	360	36	–	396
Total assets	**2,945**	**–2,585**	**360**	**36**	**–**	**396**
Loans from credit institutions	2,585	–2,585	–	–	2,054	2,054
Total liabilities	**2,585**	**–2,585**	**–**	**–**	**2,054**	**2,054**

2019 **SEKm**	Gross amounts of financial instruments	Negative cash balances in cash pools offset by positive cash balances	Net amount presented in the balance sheet	Related financial instruments that are not offset: Cash balances outside cash pools	Related financial instruments that are not offset: Other loans from credit institutions	Net amount
Cash and cash equivalents	3,229	–2,693	536	43	–	579
Total assets	**3,229**	**–2,693**	**536**	**43**	**–**	**579**
Loans from credit institutions	2,693	–2,693	–	–	2,106	2,106
Total liabilities	**2,693**	**–2,693**	**–**	**–**	**2,106**	**2,106**

Note 18 Equity

See Notes 1 (XXIII) and (XXVI) for the accounting policy.

Capital management

The Board's financial objective is to maintain a strong financial position that contributes to maintaining investor, creditor and market confidence and to providing a platform for ongoing development of the business. Capital consists of total equity. The Board of Directors proposes the dividend to the shareholders.

The company's long-term intention is a dividend pay-out of between 40 and 60 per cent of profit after tax. Both in 2020 and 2019, the ambition was to continue using future cash flows to repay debt, to pay dividends and to maximise financial flexibility for complementary acquisitions.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the net debt/EBITDA ratio (leverage). This ratio is calculated as net debt divided by EBITDA, adjusted for items affecting comparability. The Group has defined a long-term leverage target of 2.5x. The net debt/EBITDA ratio at 31 December 2020 was 2.7x (2.2).

Dividend per share

The Extraordinary General Meeting (EGM) on 3 November 2020 and the Annual General Meeting (AGM) on 4 April 2019 approved the following dividend

	2020	2019
Ordinary dividend per share, SEK	0.50	1.00
Total dividend, SEKm	144	289
Ordinary dividend as a percentage of profit for the previous year	29	60
Payment date	November 2020	April 2019

After the reporting date, the following dividend was proposed by the Board of Directors. The dividend has not been recognised as a liability in the balance sheet at reporting date.

	2020	2019[1]
Dividend per share, SEK	0.75	0.50
Total dividend, SEKm	216	144

1 In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

The Board of Directors proposes that the total earnings in the Parent Company at the disposal of the AGM amounting to SEK 1,657m (1,764) are to be distributed to the shareholders in the amount of SEK 216m (289) and to be carried forward to new account in the amount of SEK 1,441m (1,475). In deviation of the initial proposal, the EGM on 3 November 2020 approved the 2019 earnings to be distributed to the shareholders for SEK 144m and to be carried forward to new account for SEK 1,620m.

Group equity

Share capital

The number of shares authorised, issued and fully paid up at 31 December 2020 was 288,619,299 (288,619,299). The number of shares consists of 5,735,249 (5,735,249) class A shares and 282,884,050 (282,884,050) class B shares. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. Should the company issue new shares of class A and class B through a cash or set-off issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes only class B shares, all holders of class A and class B shares have the right to subscribe for new class

B shares in proportion to the number of shares already held on the record date. The corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. See page 65 for further details.

Neither Cloetta AB (publ) nor any of its subsidiaries has held any shares in Cloetta during the year.

Foreign currency translation reserve

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

Retained earnings

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

Changes in equity

For disclosures about changes in equity in the Group, see the consolidated statements of changes in equity on page 101.

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

The Group applies hedge accounting for the investment in trademarks in Cloetta Ireland Ltd., Cloetta Suomi Oy, Cloetta Holland B.V. and Cloetta Slovakia s.r.o. See Note 1 (XVII) for further details on the applied hedge accounting.

Share-based payments

See Note 23 for further details about share-based payments.

Note 19 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding adjusted for the dilutive effect of potential shares.

The calculation of basic and diluted earnings per share is based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding:

	2020	2019
Profit for the year, attributable to ordinary shareholders (in SEKm) (basic and diluted)	281	498
Number of issued ordinary shares at 1 January	288,619,299	288,619,299
Effect of forward contract to repurchase own shares	–2,028,306	–2,040,904
Weighted average number of ordinary shares during the year before dilution	286,590,993	286,578,395
Effect of share-based payments	214,210	145,654
Weighted average number of ordinary shares during the year after dilution	286,805,203	286,724,049
Basic earnings per share, SEK	0.98	1.74
Diluted earnings per share, SEK	0.98	1.74

Cloetta has entered into forward contracts to repurchase own shares in order to fulfil its future obligation to deliver the shares to the participants in the long-term share-based incentive plans. See Note 21 for a table that presents movements in the contracts as of 1 January 2019.

Note 20 Borrowings

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

31 Dec 2020 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years	Total
Loans from credit institutions	2,054	–	–	–	2,054
Capitalised transaction costs	–1	–1	–	–	–2
Commercial papers	250	–	–	–	250
Accrued interest	1	–	–	–	1
Lease liabilities	64	49	61	2	176
Total	**2,368**	**48**	**61**	**2**	**2,479**

31 Dec 2019 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years	Total
Loans from credit institutions	1,306	800	–	–	2,106
Capitalised transaction costs	0	–1	–	–	–1
Commercial papers	499	–	–	–	499
Accrued interest	1	–	–	–	1
Lease liabilities	64	52	83	5	204
Total	**1,870**	**851**	**83**	**5**	**2,809**

In the second quarter of 2020 Cloetta extended a loan from credit institutions in the amount of EUR 125m (corresponding to SEK 1,312m) for a year. See Note 26 for the Group's contractually agreed undiscounted cash flows payable under financial liabilities, including interest payments.

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

The following table shows the reconciliation of movements of liabilities to cash flows arising from financing activities:

SEKm	Long-term borrowings	Short-term borrowings	Total
Balance at 1 January 2019	**2,076**	**500**	**2,576**
Changes from financing cash flows			
Repayment of lease liabilities	–67	–7	–74
Proceeds from commercial papers	–	1,557	1,557
Repayment of commercial papers	–	–1,558	–1,558
Total changes from financing cash flows	**–67**	**–8**	**–75**
Other changes			
Initial application of IFRS 16	158	71	229
Additions to lease liabilities	49	–	49
Amortisation of capitalised transaction costs	1	1	2
Interest expenses, third-party borrowings	7	20	27
Interest paid	–7	–20	–27
Reclassification between long-term and short-term borrowings	–1,278	1,278	–
Exchange differences on borrowings	0	28	28
Total other changes	**–1,070**	**1,378**	**308**
Balance at 31 December 2019	**939**	**1,870**	**2,809**
Changes from financing cash flows			
Repayment of lease liabilities	–8	–64	–72
Proceeds from loans	–	310	310
Transaction costs paid	–	–1	–1
Repayment of loans	–	–305	–305
Proceeds from commercial papers	–	798	798
Repayment of commercial papers	–	–1,047	–1,047
Total changes from financing cash flows	**–8**	**–309**	**–253**
Other changes			
Capitalisation transaction cost	–1	–1	–2
Early termination of lease liabilities	–17	–	–17
Additions to lease liabilities	25	64	89
Amortisation of capitalised transaction costs	1	1	2
Interest expenses, third-party borrowings	6	17	23
Interest paid	–6	–17	–23
Reclassification between long-term and short-term borrowings	–800	800	–
Exchange differences on borrowings	–28	–57	–85
Total other changes	**–820**	**807**	**–13**
Balance at 31 December 2020	**111**	**2,368**	**2,479**

The carrying amounts and fair value of short-term and long-term borrowings are as follows:

SEKm	Fair value		Carrying amount	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Loans from credit institutions	2,054	2,106	2,054	2,106
Commercial papers	250	499	250	499
Lease liabilities	176	204	176	204
Total	**2,480**	**2,809**	**2,480**	**2,809**

The fair value of loans from credit institutions is equal to their carrying amount, as the impact of discounting is not significant, and the credit risk has not materially changed since the loan agreement was signed.

The Group's loans from credit institutions are exposed to interest rate changes and changes in the applicable margin on a quarterly basis. The commercial papers are issued at fixed interest rates, based on the applicable market prices at issue date.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Loans from credit institutions

On 22 July 2016, Cloetta entered into a term and revolving facilities agreement with a group of four banks, Danske Bank A/S, DNB Sweden AB, Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ), in SEK and EUR.

On 8 June 2018, Cloetta entered into an amendment and restatement of the term and revolving facilities agreement, in combination with the launch of a commercial paper program.

On 24 June 2020, Cloetta entered into an amendment agreement. The total facilities at reporting date comprise an equivalent of SEK 800m and EUR 245m. The term and revolving facilities agreement is unsecured in nature.

The commercial paper program, with a maximum oustanding amount of SEK 1,000m, is established to obtain flexibility in the short-term financing needs. See Note 26 for an overview of the maturity of the components of Cloetta's loans from credit institutions.

Cloetta has made an assessment of the impact of the Interbank offer rates (IBOR) reform project. The outcome of this assessment is that Cloetta has not been and will not be materially affected by the IBOR reform project in the short-term. The facilities drawn in the facilities agreement and the interest rate swaps are based on EURIBOR and STIBOR reference rates. Both these rates are not affected yet by the IBOR reform project. Nevertheless, when Cloetta refinances its loans in 2021, it will incorporate provisions setting out the fallback position for the event that the STIBOR and EURIBOR cease to be published. Upon prolongation of or entering into new contracts containing references to IBOR reference rates, Cloetta will add provisions setting out fallback provisions as described above.

The Group credit facility at reporting date relates to:

	Outstanding amount		Interest percentage		Applicable margin	
SEKm	**31 Dec 2020**	31 Dec 2019	**31 Dec 2020**	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Multicurrency term loan of nominal EUR 125m (125)	1,254	1,306	Variable EURIBOR + fixed applicable margin, with zero-floor	Variable EURIBOR + fixed applicable margin, with zero-floor	1.05%	0.80%
Single currency term loan of nominal SEK 800m (800)	800	800	Variable STIBOR + fixed applicable margin, with zero-floor	Variable STIBOR + fixed applicable margin, with zero-floor	0.90%	0.90%
Commercial papers of nominal SEK 1,000m (1,000)	250	499	Fixed margin per issued paper	Fixed margin per issued paper	0.66%	0.43%
Multicurrency credit revolving loan of EUR 110m (110)	–	–	Variable IBOR + fixed applicable margin, with zero-floor	Variable IBOR + fixed applicable margin, with zero-floor	1.00%	1.00%
Credit revolving loan of EUR 10m (10)	–	–	Variable EURIBOR + fixed applicable margin, with a floor of 0.20%	Variable EURIBOR + fixed applicable margin, with a floor of 0.20%	0.70%	0.70%
Total Group credit facility	**2,304**	**2,605**				
Capitalised transaction costs	–2	–1				
Lease liabilities	176	204				
Accrued interest	1	1				
Total borrowings	**2,479**	**2,809**				

At 31 December 2020, the Group had an unutilised credit facility of SEK 1,204m (1,254) and the possibility to issue additional commercial papers for an amount of SEK 750m (500). 35 per cent (35) of the fixed applicable margin on the unutilised amounts of the credit revolving loans is paid as a commitment fee.

All borrowings are denominated in euros, with the exception of the single currency term loan of SEK 800m (800), the commercial papers of SEK 250m (499) and part of the lease liabilities for an amount corresponding to SEK 83m (108).

The effective interest rate for the loans from credit institutions and the senior secured notes was 0.93 per cent (0.74).

Note 1
Note 2
Note 3
Note 4
Note 5
Note 6
Note 7
Note 8
Note 9
Note 10
Note 11
Note 12
Note 13
Note 14
Note 15
Note 16
Note 17
Note 18
Note 19
Note 20
Note 21
Note 22
Note 23
Note 24
Note 25
Note 26
Note 27
Note 28
Note 29
Note 30
Note 31
Note 32

Note 21 Derivative financial instruments

See Note 1 (XVIII) for the accounting policy.

	31 Dec 2020		31 Dec 2019	
SEKm	**Assets**	**Liabilities**	Assets	Liabilities
Non-current				
Single currency interest rate swaps	–	0	–	3
Total non-current	–	0	–	3
Current				
Forward contract to repurchase own shares	–	49	–	65
Single currency interest rate swaps	–	5	–	3
Total current	–	54	–	68
Total	–	54	–	71

Forward contracts to repurchase own shares

Following the introduction of share-based long-term incentive plans, Cloetta entered into forward contracts in order to repurchase own shares to fulfil its future obligation to deliver the shares to the participants in its share-based long-term incentive plans. The forward contract to repurchase own shares is measured at cost.

The following table shows the movements in contracts since 1 January 2019

	Date	Contract 1	Contract 2	Contract 3
Balance at	**1 Jan 2019**	**1,991,906**	**–**	**–**
Shares granted to participants LTI'16 (settlement of forward contract to repurchase own shares)	26 April 2019	–109,369	–	–
Roll-forward to new forward contract to repurchase own shares	11 June 2019	–1,882,537	1,882,537	–
New forward contract to repurchase own shares	11 June 2019	–	198,346	–
Balance at	**31 Dec 2019**	**–**	**2,080,883**	–
Shares granted to participants LTI'17 (settlement of forward contract to repurchase own shares)	28 April 2020	–	–95,264	–
Roll-forward to new forward contract to repurchase own shares	10 June 2020	–	–1,985,619	1,985,619
Balance at	**31 Dec 2020**	**–**	**–**	**1,985,619**
	Price, SEK	29.3886	31.2385	24.9000

See Note 23 for more details about the share-based long-term incentive plan.

Single currency interest rate swaps

The Group has entered into several single currency interest rate swap contracts to partially cover the interest rate risk on the loans denominated in both SEK and EUR.

The following table shows the combined notional principal amounts of the outstanding single currency interest rate swaps

		Notional principal amounts		Fixed interest currency rates		Duration	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
STIBOR Interest rate swaps	SEKm	800	800	0.4630%	0.4630%	Q1 2021 – Q4 2021	Q1 2020 – Q4 2021
EURIBOR Interest rate swaps	EURm	–	50	–	0.1560%	–	Q1 2020 – Q2 2020
EURIBOR Interest rate swaps	EURm	35	35	0.3375%	0.3375%	Q1 2021 – Q3 2022	Q3 2020 – Q3 2022

All single currency interest rate swaps include zero-floors on the floating leg.

Note 22 Contingent considerations

See Note 1 (XXV) for the accounting policy.

On 28 April 2017 a contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was issued to the former bondholders of Candyking Holding AB in exchange for corporate bonds in Candyking Holding AB. The contingent earn-out consideration was initially recognised in an amount of SEK 128m. The final earn-out consideration amounted to SEK 146m and was settled in 2019. See Note 25.

Movements in contingent considerations are specified as follows:

SEKm	2020	2019
At 1 January	–	142
Remeasurements recognised in profit and loss		
– Unrealised interest on contingent considerations recognised in other financial expenses	–	4
Settlements		
– Settlements via balance sheet	–	–146
At 31 December	–	–

Note 23 Pensions and other long-term employee benefits

See Notes 1 (VII) and (XXVI) for the accounting policy.

Group companies use various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions, even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit schemes in industry sector pension funds, which are held by pension funds that are not able to provide company-specific or reliable information, are accounted for as though they were defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group has a number of defined benefit pension plans in Sweden, the Netherlands, Belgium, Finland, Germany and Norway that relate to pension and other long-term benefit schemes.

For the defined benefit pension plan in the Netherlands, the Group accounts as though this were a defined contribution scheme since sufficient information is not available to enable the Group to account for the plan as a defined benefit plan. Cloetta complies with UFR 10 for reporting plans with multiple employers. Sufficient information is not available, since asset administration of the fund is not designed to allocate the total assets of the fund to the participating companies. In the event of a deficit in this pension fund, the Group has no obligation to provide further contributions other than higher future contributions.

Monthly premiums are average premiums expressed as a percentage of the pension calculations basis and should, as a minimum, cover the cost of the fund. The minimum pension premium is determined in accordance with the actuarial and business note of the fund. In the event of liquidation of the fund, an amount that is sufficient to cover defined benefits will be secured. In the event of a deficit in the fund at the moment of liquidation, the defined benefits will be proportionally reduced taking into consideration Article 134 of the Dutch Pension Act. Contributions to the plan for the next annual year are expected to amount to SEK 33m (37). These are split into employer contributions of SEK 22m (25) and employee contributions of SEK 11m (12). At year-end 2020, the coverage of the pension fund was 97.8 per cent (106.6).

At 31 December 2020, the main defined benefit plans in the Group were:

Sweden – ITP2 plan:

The ITP2 plan covers employees born before 1979. Benefits provided in the old defined benefit plan include a final pay-based retirement pension. This plan is an unfunded defined benefit plan.

The ITP plan benefit formula provides pension benefits as a percentage of salary. Benefits are reduced proportionally if the expected years of service within the plan, are less than 30 years, irrespective of employer. ITP plan benefits vested with former employers are indexed according to the consumer price index.

Finland – Leaf/Merijal plan:

This plan is an insured voluntary final salary pension plan. It was established on 31 December 2005 when the liabilities and assets of Merijal Pension Foundation and Leaf Pension Foundation were transferred to Pohjola Life Insurance Company.

Norway

The Norwegian subsidiary has one plan, which is insured in a life insurance company. This funded plan, together with the national pension scheme, provides an old-age pension of a maximum of 66 per cent of final salary. The plan includes a widow(er)'s pension equal to 60 per cent of the old-age pension and children's pension equal to 50 per cent of the old-age pension. Members who become disabled will receive a disability pension linked to the old-age pension they would have received with their present salary.

The total pensions and other long-term employee benefits are determined as follows:

SEKm	31 Dec 2020	31 Dec 2019
Funded pension schemes in a net asset position	1	–
Obligation for pension benefits	–512	–499
Total	**–511**	**–499**

The amounts recognised in the balance sheet are determined as follows:

SEKm	31 Dec 2020	31 Dec 2019
Funded pension schemes in a net asset position	1	–
Asset in the balance sheet	**1**	**–**
Present value of funded obligations	78	87
Fair value of plan assets	–62	–69
Deficit of funded plans	**16**	**18**
Present value of unfunded obligations	495	481
Liability in the balance sheet	**511**	**499**

Movements in the combined net defined benefit obligations and other long-term employee benefits over the year are as follows:

SEKm	Present value of obligation	Fair value of plan assets	Total
1 January 2019	**484**	**–67**	**417**
Current Service cost	7	–	7
Interest expense/(income)	12	–1	11
Total amount recognised in profit or loss	**19**	**–1**	**18**
Remeasurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	–	–2	–2
– Losses from change in financial assumptions	79	–	79
– Experience (gains)/losses	3	–	3
Total remeasurements recognised in other comprehensive income	**82**	**–2**	**80**
Exchange differences	1	–1	0
Contributions:			
– Employers	–	–16	–16
– Plan participants	0	0	–
Payments from plans:			
– Benefit payments	–18	18	–
31 December 2019	**568**	**–69**	**499**
Current Service cost	12	–	12
Interest expense/(income)	7	0	7
Total amount recognised in profit or loss	**19**	**0**	**19**
Remeasurements:			
– Return on plan assets, excluding amounts included in interest expense/(income)	–	4	4
– Losses from change in financial assumptions	15	–	15
– Experience (gains)/losses	–9	–	–9
Total remeasurements recognised in other comprehensive income	**6**	**4**	**10**
Exchange differences	–3	1	–2
Contributions:			
– Employers	–	–15	–15
– Plan participants	0	0	–
Payments from plans:			
– Benefit payments	–17	17	–
31 December 2020	**573**	**–62**	**511**

The Group expects to pay SEK 14m (16) in contributions to its defined benefit plans in 2021.

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 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Sweden	489	477	–13	–14	476	463
Norway	10	16	–11	–15	–1	1
Finland	31	34	–25	–28	6	6
Other countries	43	41	–13	–12	30	29
Total	**573**	**568**	**–62**	**–69**	**511**	**499**

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

The significant actuarial assumptions are as follows:

Weighted average percentage	31 Dec 2020	31 Dec 2019
Discount rate	1.06	1.45
Expected rate of future salary increases	1.50	1.75
Expected rate of future increase for benefits in payment	2.02	2.15
Expected long-term inflation rate	1.42	1.64

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics and experience in each territory.

These assumptions translate into an average life expectancy in years for a pensioner retiring at the age of 67 for men in Norway, at the age of 62 for women in Norway and at the age of 65 in other countries:

	2020		2019	
Years	Sweden	Others	Sweden	Others
Retiring at the end of the reporting period:				
– Male	22	21	22	21
– Female	24	25	25	24
Retiring 20 years after the end of the reporting period				
– Male	43	36	43	36
– Female	45	41	45	41

At 31 December 2020 the weighted average duration of the defined benefit obligation was 18.92 years (19.06 years).

The sensitivity of the combined net defined benefit obligations and other long-term employee benefits to changes in the weighted principal assumptions is as follows:

		Impact on defined benefit obligation			
		2020		2019	
%	Change in assumptions	Increase in assumptions	Decrease in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	1%-point	–19	22	–18	24
Salary growth rate	1%-point	5	–5	6	–5
Pension growth rate	1%-point	17	–15	1	–1

%	Increase by 1 year in assumption	Decrease by 1 year in assumption	Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy	4.28	–4.98	4.37	–4.98

The sensitivity analyses above are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognised in the statement of financial position.

Plan assets for both 2019 and 2020 are 100 per cent comprised of insurance contracts.

The expected maturity analysis for undiscounted combined net defined benefit obligations and other long-term employee benefits is as follows:

SEKm	31 Dec 2020	31 Dec 2019
Less than 3 years	–	0
Between 3–7 years	–	–
Between 7–15 years	89	107
Over 15 years	484	461
Total	**573**	**568**

Total pension costs for defined benefit plans amounting to SEK 19m (18) are included in costs of goods sold, selling expenses, general and administrative expenses and financial income and expenses, in the profit and loss account.

Share-based payments

Share-based long-term incentive plan

The AGM approved the Board's proposals for a share-based long-term incentive plan to align the interests of the shareholders on the one hand, and the Group Management Team and other key employees on the other hand in order to ensure maximum long-term value creation.

To participate in the plan, a personal shareholding in Cloetta is required. Following a three-year vesting period, the participants will be allocated class B shares in Cloetta free of charge, provided that certain conditions are fulfilled.

To be eligible for so-called matching share rights entitling the participant to class B shares in Cloetta, continued employment with Cloetta is required and the personal shareholding in Cloetta must be continuously maintained. For each invested share one matching share will be granted if the above requirements are fulfilled, for the long-term incentive plans until 2018. For the long-term incentive plans as from 2019, the matching shares are replaced by series A performance shares, that are conditional on Cloetta's average EBIT over the vesting period.

In addition, allocation of class B shares on the basis of performance share rights (series B) requires the attainment of two performance targets, one of which is related to Cloetta's EBIT and the other to Cloetta's net sales value in the respective vesting periods. The share-based long-term incentive plans of 2016 and 2017 were vested in 2019 and 2020, respectively.

Note 1 Note 2 Note 3 Note 4 Note 5 Note 6 Note 7 Note 8 Note 9 Note 10 Note 11 Note 12 Note 13 Note 14 Note 15 Note 16 Note 17 Note 18 Note 19 Note 20 Note 21 Note 22 Note 23 Note 24 Note 25 Note 26 Note 27 Note 28 Note 29 Note 30 Note 31 Note 32

With respect to the share-based long-term incentive plan of 2018, the target levels set by the Board for the two performance targets were not met. The performance targets were related to growth in Cloetta's compounded sales value during the period 2018 to 2020 and EBITA level during 2020. As a result, Cloetta will transfer, free of charge, no more than 138,441 shares to participants holding matching share rights and no shares to participants holding performance share rights.

Total costs related to the non-vested share-based long-term incentive plans are expected to amount to SEK 51m (47) during the total vesting period. The total costs for the share-based long-term incentive plans recognised in 2020 are SEK 3m (4).

See page 67 for further details on the main characteristics of the share-based long-term incentive plans.

The forward contracts to repurchase own shares amount to SEK 49m (65). See Note 21 for further details on the forward contracts to repurchase own shares.

Movements in the number of shares for the share-based long-term incentive plans are as follows:

Number of shares in thousands	2020	2019
At 1 January	1,415	1,404
Granted for new plans	1,046	1,010
Vested plans	–95	–109
Released	–683	–890
At 31 December	**1,683**	**1,415**

Note 24 Provisions

See Note 1 (XXV) for the accounting policy.

Movements in provisions, excluding pension benefits and other long-term employee benefits, are specified as follows:

SEKm	Re-organisation	Other	Total
1 January 2019	26	6	32
Additions	4	–	4
Utilisations	–21	–	–21
Unused amounts reversed	–4	–1	–5
Exchange differences	0	0	0
31 December 2019	**5**	**5**	**10**
Analysis of total provisions			
Non-current			5
Current			5
Total			**10**

SEKm	Re-organisation	Other	Total
1 January 2020	5	5	10
Additions	31	3	34
Utilisations	–11	–	–11
Unused amounts reversed	–1	–1	–2
Exchange differences	–1	–1	–2
31 December 2020	**23**	**6**	**29**
Analysis of total provisions			
Non-current			5
Current			24
Total			**29**

See Note 23 for details about pension benefits and other long-term employee benefits.

Note 25 Trade and other payables

See Note 1 (XXIX) for the accounting policy.

Trade and other payables are specified as follows:

SEKm	31 Dec 2020	31 Dec 2019
Trade payables	474	492
Other taxes and social security expenses	162	175
Pension liabilities	6	8
Other liabilities	38	33
Accruals and deferred income	464	519
Total	**1,144**	**1,227**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Accruals and deferred income are specified as follows:

SEKm	31 Dec 2020	31 Dec 2019
Accrued personnel-related expenses	153	200
Accrued customer bonuses and discounts	173	178
Other accrued expenses and deferred income	138	141
Total	**464**	**519**

Note 26 Financial risks and financial risk management

Through its activities, the Group is exposed it to a variety of financial risks, such as financial market risk (including currency risk, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risks are managed by the Group treasury department under policies approved by the Board of Directors. The Group treasury department identifies, evaluates and, if applicable, hedges financial risks in close cooperation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. The primary market and financial risks are described in detail below.

Financial market risk

Currency risk

The Group is primarily active in the European Union, Norway and the UK.

The Group's currency risk mainly relates to positions and future transactions in euros (EUR), Danish kroner (DKK), Norwegian kroner (NOK), US dollars (USD) and British pounds (GBP).

The Group has major investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the euro-related currency risk by drawing part of the credit facility in euros. This hedge covers part of the currency risk in euros. Hedge accounting (hedges of net investments in foreign operations) is applied. This has resulted in a reduction in the volatility of net financial items caused by revaluation of monetary assets and liabilities as of the date of initial application of hedge accounting.

The Group's investment in trademarks in Cloetta Ireland Ltd, Cloetta Suomi Oy, Cloetta Holland B.V. and Cloetta Slovakia s.r.o. is hedged by a net euro-denominated loan (carrying amount: EUR 158m (160)) which mitigates the foreign currency translation risk on these trademarks. The fair value of the loan was EUR 158m (160). The loan is designated as a net investment hedge. The effectiveness of the hedge is tested and documented on a quarterly basis. The hedge effectiveness at 31 December 2020 was 104 per cent (104). No ineffectiveness has been recognised from the net investment hedge. The effect of the net investment hedge in a foreign operation is recognised in other comprehensive income. At 31 December 2020, the cumulative effect of the net investment hedge in a foreign operation amounted to SEK –139m (–181), net of tax, and was reported as part of the retained earnings within equity.

The Group's defined objective is to cover between 50 and 80 per cent of the expected net exposure on purchases and sales in USD and GBP if the exposure exceeds the equivalent of EUR 10m. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. At reporting date, the Group had no forward foreign currency contracts to hedge the currency risk of the USD and GBP. The Group is in compliance with the defined objectives for currency risks.

During 2020, exchange rates have been volatile and as a result impacted Cloetta's financial performance significantly.

In the 2020 financial year, if the Swedish krona had weakened/strengthened by 10 per cent against the euro with all other variables held constant, profit before tax for the year would have been approximately SEK 14m (46) lower/higher, 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. During 2020 the Norwegian krona weakened from 1.0591 to 0.9584 (–9.5%). As a result, a total exchange difference on cash and cash equivalents in an amount of SEK –10m was recognised.

The currency risk attached to the transactions in the other currencies is not significant as the amounts involved are not significant to the total Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities.

The Group is exposed to the consequences of variable interest rates on the multicurrency term loan of EUR 125m and the single-currency term loan of SEK 800m. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the Group. The Group's objective when managing the interest rate risk is to have a fixed percentage between 50 and 80 per cent with an average maturity of 2 to 3.5 years on borrowings that are long-term in nature. At reporting date, the Group covered 1.75 years of its exposure to interest rate fluctuations. Pending the refinancing of the multicurrency term loan and single currency term loan in 2021, the Group decided to deviate from the abovementioned objective.

If the interest rate had been 1 percentage point higher with all other variables held constant, profit before tax for the year would have been approximately SEK 6m (6) lower. If the interest rate had been 1 percentage point lower with all other variables held constant, profit before tax for the year would have been approximately SEK 2m (2) higher. The analysis considers the effects of single currency interest rate swaps and the impact of negative interest rates.

Credit risk

The Group does not have any significant concentrations of credit risk.

The Group's customers are subject to a credit policy. Sales are subject to payment conditions which vary per customer.

A loss allowance for expected credit losses on trade receivables is established taking into account all possible default events that could lead to the Group not being able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable should be impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted by the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within net sales.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Credit terms for customers are determined individually in the different markets. Concentrations of credit risk with respect to trade receivables are limited, due to the size and diversity of the Group's customer base. Diversity exists amongst other things in the size of customers, country of origin, size of outstanding receivables and types of customers. A large part of the trade debtors for International Markets, Ireland, the UK, Germany and the Netherlands and smaller trade debtors in Finland are insured via credit risk insurances. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's historical experience of collecting receivables is that credit risk is considered to be low across all markets.

The Group uses several banks (range of most used banks varies between AA- and A (long-term) and A-1+ and A-2 (short-term)) and has a revolving facility available

			Cash balances		Credit revolving loan		Other loans	
SEKm	Rating (S&P)		**31 Dec 2020**	31 Dec 2019	**31 Dec 2020**	31 Dec 2019	**31 Dec 2020**	31 Dec 2019
Danske Bank A/S	Long-term	A	360	519	–	–	–618	–526
DNB Sweden AB	Long-term	AA-	–	–	–	–	–618	–526
KBC	Short-term	A-1	3	1	–	–	–	–
Nordea	Short-term	A-1+	2	3	–	–	–	–
Skandinaviska Enskilda Banken AB (publ)	Long-term	A+	0	0	–	–	–618	–526
Svenska Handelsbanken AB (publ)	Long-term	AA-	–	41	–	–	–200	–526
Tatra Banka	Short-term	A-2	7	8	–	–	–	–
Ulster Bank Ltd.	Short-term	A-1	15	5	–	–	–	–
Other banks			8	1	–	–	–	–
Total			**396**	**579**	**–**	**–**	**–2,054**	**–2,106**

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group, reviewed by the Cloetta cash committee and is aggregated by the Group treasury department. The Group treasury department monitors the sources and the amounts of the company's cash flows, dividend, obligation, loans, actual cash position and rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 20) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities, and the impact such restrictions had or are expected to have on its ability to meet its cash obligations. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements - for example, currency restrictions.

The Multi-currency Zero Balancing Cash Pool (MZBCP) includes both the Parent Company and several operating entities. Surplus cash held by operating entities included in the MZBCP is available to the Group's treasury department and is used for the Group's internal and external financing activities. Surplus cash held by operating entities not included in the MZBCP is transferred to the Group's treasury department and is also used for the Group's internal and external financing activities.

The Covid-19 pandemic lockdown had a negative impact on the Group's liquidity position as revenue-generating activities were impacted, mainly in the second quarter of the year. The Group has taken actions to mitigate the impact, including the deferral and reduction of the dividend payment for the 2019 financial year.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

SEKm 31 Dec 2020	Term < 1 year	Term 1–2 years	Term 2–3 years	Term 3–4 years	Term 4–5 years	Term >5 years	Total
Loans from credit institutions	2,180	–	–	–	–	–	2,180
Commercial papers	253	–	–	–	–	–	253
Lease liabilities	64	49	33	20	8	2	176
Derivative financial liabilities	53	0	–	–	–	–	53
Trade and other payables, excluding other taxes and social security payables	982	–	–	–	–	–	982
Total	3,532	49	33	20	8	2	3,644

SEKm 31 Dec 2019	Term < 1 year	Term 1–2 years	Term 2–3 years	Term 3–4 years	Term 4–5 years	Term >5 years	Total
Loans from credit institutions	1,320	806	–	–	–	–	2,126
Commercial papers	500	–	–	–	–	–	500
Lease liabilities	64	52	44	25	14	5	204
Derivative financial liabilities	70	5	1	–	–	–	76
Trade and other payables, excluding other taxes and social security payables	1,052	–	–	–	–	–	1,052
Total	3,006	863	45	25	14	5	3,958

Capital risk management

In addition to the capital management disclosure in Note 18, the Group's priority in monitoring capital is to maintain compliance with the covenants in the applicable credit facilities agreements. Cloetta actively monitors these covenants and other ratios on a quarterly basis. The term and revolving facilities agreement, which is unsecured in nature, includes one covenant, relating to the net debt/EBITDA ratio. Throughout 2019 and 2020, the Group was in compliance with the covenant requirements.

Brexit

Changing regulatory schemes and tariffs imposed by Brexit will add additional complexity, costs and delays in the distribution of Cloetta's products in the UK. In the short term, there is a risk that Brexit may disrupt import and export processes due to a lack of administrative processing capacity by the customs agencies of the UK and the European Union.

Note 27 Financial instruments – measurement categories and fair values

Share-based long-term incentive plan

The AGMs approved the Board's proposal relating to a share-based long-term incentive plan.

Under the share-based long-term incentive plans, the entity receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is 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 23 for more information.

Fair value measurement

The only items recognised at fair value are the single currency interest rate swaps categorised within level 2 of the fair value hierarchy in all periods presented.

The fair values of the financial assets and liabilities measured at amortised cost are approximately equal to their carrying amounts, with the exception of the forward contract to repurchase own shares which has a fair value of SEK 2m (liability) while the carrying amount is SEK 49m (liability).

The following table presents the carrying amounts and fair values of the Group's financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Carrying amount				Fair value			
SEKm 31 Dec 2020	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	663	–	663				
Cash and cash equivalents	–	396	–	396				
Total assets	–	1,059	–	1,059	–	–	–	–
Financial liabilities								
Loans from credit institutions	–	–	2,054	2,054				
Commercial papers	–	–	250	250				
Forward contract to repurchase own shares	–	–	49	49	–	2	–	2
Single currency interest rate swaps	5	–	–	5	–	5	–	5
Lease liabilities	–	–	176	176				
Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	982	982				
Total liabilities	5	–	3,511	3,516	–	7	–	7

	Carrying amount				Fair value			
SEKm 31 Dec 2019	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	–	832	–	832				
Cash and cash equivalents	–	579	–	579				
Total assets	–	1,411	–	1,411	–	–	–	–
Financial liabilities								
Loans from credit institutions	–	–	2,106	2,106				
Commercial papers	–	–	499	499				
Forward contract to repurchase own shares	–	–	65	65	–	0	–	0
Single currency interest rate swaps	6	–	–	6	–	6	–	6
Lease liabilities	–	–	204	204				
Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	–	–	1,052	1,052				
Total liabilities	6	–	3,926	3,932	–	6	–	6

The assets and liabilities measured at fair value at 31 December 2020 and 31 December 2019 respectively are reflected in 'derivative financial instruments'. There are no financial instruments categorised within level 3 of the fair value hierarchy.

On 28 April 2017, the contingent earn-out consideration arising from the acquisition of Candyking Holding AB and its subsidiaries was recognised in an amount of SEK 128m. The final earn-out consideration amounted to SEK 146m and was settled in 2019. No transfers between fair value hierarchy levels have occurred during the financial year or the prior financial year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included within level 2. The valuation of these instruments is based on quoted market prices (price-component), but the underlying contract amounts (quantity-component) are based on the specific requirements of the Group. These instruments are therefore included within level 2. The fair value measurement of the contingent consideration requires use of significant unobservable inputs and was thereby initially categorised within 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 single currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign currency contracts is calculated using the difference between the exchange rate on the balance sheet date with the contractually agreed upon exchange rate;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used, are specified as follows:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments			
– *Single currency interest rate swaps*	The valuation of the single currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.	Not applicable	Not applicable
– *Forward contracts to repurchase own shares*	The valuation of the forward contract to repurchase own shares is calculated as the agreed upon price for repurchasing own shares multiplied by the number of shares to be repurchased on the maturity date of the contract.	Not applicable	Not applicable

See Note 22 for the effect of the measurements regarding contingent consideration liabilities in the profit and loss account or other comprehensive income and for movements in contingent consideration liabilities.

Note 28 Related-party transactions

All group companies mentioned in Note P8 are considered to be related parties. Transactions between group companies are eliminated upon consolidation.

In the context of this financial report, and aside from the subsidiaries of Cloetta AB (publ), the Board of Directors, Group Management Team and key employees that have significant influence over the Group and AB Malfors Promotor and its subsidiaries are regarded as related parties. In 2019 and 2020, no transactions other than dividend payments occurred between Cloetta AB (publ) including its subsidiaries and AB Malfors Promotor including its subsidiaries.

Transactions with Board of Directors, Group Management Team and key employees

For information about salaries and remuneration of the Board of Directors and Group Management Team, see pages 88–89 and Notes 5, 6 and 23. The Group has no receivables on the Board of Directors, Group Management Team and key employees. In 2019 and 2020 share-based long-term incentive plans were approved by the AGM. Total costs excluding social security charges related to the share-based long-term incentive plans that were recognised amount to SEK 3m (3), of which SEK 3m (4) is related to the Group Management Team. In 2019, the higher costs for the Group Management team compared to the total costs are mainly related to key employees leaving Cloetta before the vesting date of the plans.

Other liabilities to the Group Management Team and key employees consist of customary personnel-related liabilities. No other transactions other than dividend payment and employee and Board remuneration occurred between Cloetta AB (publ) including its subsidiaries and the Board of Directors, Group Management Team and key employees.

Note 29 Leases

See Note 1 (XXIX) for the accounting policy.

SEKm	2020	2019	Recognised in:
Recognised expenses for leases under IFRS 16 amount to:			
Interest expense	–3	–3	net financial items, in the profit and loss account
Impairment of right-of-use assets	–4	–	cost of goods sold, in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognised	–8	–9	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	–1	0	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to variable lease payments not included in lease liabilities	–17	–13	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Total cash outflow for leases	–75	–75	cash flow from operating activities and financing activities, in the cash flow statement

The leases that have been recorded on Cloetta's balance sheet are categorised in land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

Cloetta makes use of the exemptions under IFRS 16 for short-term leases and leases of low-value assets, except for any leases of vehicles with a remaining lease term at initial implementation date of less than 12 months.

For a number of lease arrangements Cloetta cannot reliably separate the lease and non-lease elements. For leases in the classes of assets "land and buildings" and "other equipment" the non-lease elements have been included in the calculation of the right-of-use asset.

Several lease arrangements contain extension or termination options. Insofar as Cloetta is reasonably certain of exercising the extension option or not exercising the termination option, these options have been reflected in the measurement of the lease liabilities.

See Note 12 for further details on right-of-use assets and Note 20 for further details on lease liabilities.

Note 30 Critical accounting estimates and judgements

In preparing the financial statements, the Group Management Team makes estimates and judgments that affect the reported amounts of assets and liabilities, net sales and expenses, and disclosures of contingent liabilities at the date of the financial statements. The estimates and assumptions that are associated with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year, as well as critical judgments in applying the Group's accounting policies are discussed below. The accounting estimates and judgments are believed to be reasonable under the circumstances.

The Group Management Team and audit committee have discussed the development, selection and disclosures regarding the Group's critical accounting principles and estimates. The estimates and judgments made in the application of the Group's accounting policies are described below.

Impairment testing of intangible assets

For the purpose of impairment testing, assets are allocated to CGUs or groups of CGUs when it is not possible to assess impairment on an individual asset level. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is impaired. An asset's recoverable amount is the higher of its value in use and its fair value less cost of disposal. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business.

Using the company management's best estimates in determination of the terminal growth rates, pre-tax discount rates and future cash flows, the estimated recoverable amounts of the group of CGUs for goodwill impairment testing in Sweden, Denmark & Norway, Finland, the Netherlands & Germany and International Markets & the UK and the CGUs for trademarks impairment testing in Sweden, Finland and the Netherlands exceed the carrying amounts. The estimated recoverable amount of the Netherlands & Germany group of CGUs exceeds its carrying amount by approximately SEK 342m. If the terminal growth rate decrease by 1.9 percentage points to –0.2 per cent, the pre-tax discount rate will increase by 1.5 percentage points to 8.8 per cent, or if the expected EBITDA decreases by SEK 20m per year, the estimated recoverable amount of the Netherlands & Germany group of CGUs will be equal to its carrying amount. For the other groups of CGUs a reasonable change in assumptions will not lead to an impairment.

The carrying amount of the intangible assets at the end of the reporting period was SEK 5,563m (5,684).

Accounting for income taxes

As part of the process of preparing the financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Temporary differences between tax and financial reporting give rise to deferred tax assets and liabilities, which are included in the balance sheet. The Group must also assess the likelihood that deferred tax assets will be recovered from future taxable income. A deferred tax asset is not recognised if, and to the extent that it is probable that, all or some portion of the deferred tax asset will not be realised.

Accounting for pensions and other post-employment benefits

Pension benefits represent obligations that will be settled in the future and require assumptions to project the benefit obligations and fair values of plan assets. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's expected service period, based on the terms of the plans and the investment and funding decisions made by the Group. For calculation of the present value of the pension obligation and the net cost, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries). Changes in these key assumptions can have a significant impact on the projected benefit obligations, funding requirements and periodic costs incurred. It should be noted that when discount rates decline or rates of future salary increase, the pension benefit obligations will increase. For details about the key assumptions and policies, see Note 23. The carrying amount at the end of the reporting period was SEK 511m (499).

Leases

The Group applies judgment to determine the lease term for some lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the Group is reasonably certain of exercising such options impacts the lease term, which significantly affects the amounts of lease liabilities and right-of-use assets recognised.

Note 31 Changes in accounting policies

New and amended standards and interpretations adopted by the Group

No new standards have been issued that are effective for annual periods beginning on or after 1 January 2020.

A number of amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020. None of these have a material impact on the consolidated financial statements of the Group.

New standards and amendments to standards not yet adopted

A number of amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, which have not been applied in preparing these consolidated financial statements. None of these are expected to have a material impact on the consolidated financial statements of the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

Note 32 Events after the balance sheet date

After the end of the reporting period, no significant events have taken place that could affect the company's operations.

Parent Company financial statements

Parent Company profit and loss account

SEKm	Note	2020	2019
Net sales	P2	79	83
Gross profit		**79**	**83**
General and administrative expenses	P3, P4	–81	–105
Operating loss		**–2**	**–22**
Exchange differences on borrowings and cash	P5	–2	7
Other financial income	P5	79	75
Other financial expenses	P5	–27	–23
Net financial items		**50**	**59**
Profit before tax		**48**	**37**
Income tax	P6	–11	–5
Profit for the year		**37**	**32**

Profit for the year corresponds to comprehensive income for the year.

Primary activities

Cloetta AB's primary activities include head office functions such as group-wide management and administration.

Parent Company balance sheet

SEKm	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current financial assets			
Deferred tax asset	P7	6	6
Shareholdings in group companies	P8	4,884	4,884
Receivables from group companies	P15	464	471
Total non-current financial assets		**5,354**	**5,361**
Current assets			
Receivables from group companies	P15	77	97
Prepaid expenses and accrued income		0	2
Cash and bank	P9	0	0
Total current assets		**77**	**99**
Total assets		**5,431**	**5,460**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,443	1,443
Share premium		2,712	2,712
Retained earnings including profit for the year		–1,055	–951
Equity attributable to owners of the Parent Company	P10	**3,100**	**3,204**
Non-current liabilities			
Borrowings	P11	–	799
Payables to group companies	P15	137	136
Derivative financial instruments	P12	–	2
Provisions		1	1
Total non-current liabilities		**138**	**938**
Current liabilities			
Payables to group companies	P15	1,096	775
Borrowings	P11	1,050	499
Trade payables	P13	–	2
Other current liabilities	P13	23	12
Derivative financial instruments	P12	3	2
Accrued expenses and deferred income	P13	16	21
Current income tax liabilities	P7	5	7
Total current liabilities		**2,193**	**1,318**
Total equity and liabilities		**5,431**	**5,460**

Parent Company statement of changes in equity

SEKm	Share capital	Share premium reserve	Retained earnings	Total equity
Balance at 1 January 2019	**1,443**	**2,712**	**–697**	**3,458**
Comprehensive income				
Profit for the year	–	–	32	32
Total comprehensive income for 2019	**–**	**–**	**32**	**32**
Transactions with owners				
Share-based payments	–	–	3	3
Dividend	–	–	–289	–289
Total transactions with owners	**–**	**–**	**–286**	**–286**
Balance at 31 December 2019	**1,443**	**2,712**	**–951**	**3,204**
Comprehensive income				
Profit for the year	–	–	37	37
Total comprehensive income for 2020	**–**	**–**	**37**	**37**
Transactions with owners				
Share-based payments	–	–	3	3
Dividend[1]	–	–	–144	–144
Total transactions with owners	**–**	**–**	**–141**	**–141**
Balance at 31 December 2020	**1,443**	**2,712**	**–1,055**	**3,100**

1) The dividend paid in 2020 comprised a dividend of SEK 0.50 per share. The dividend paid in 2019 comprised a dividend of SEK 1.00 per share.

Profit for the year corresponds to comprehensive income for the year.
Total equity is attributable to the owners of the Parent Company.

Parent Company cash flow statement

SEKm	Note	2020	2019
Operating loss		**–2**	**–22**
Interest paid		–19	–15
Income tax paid		–2	–1
Cash flow from operating activities before changes in working capital		**–23**	**–38**
Cash flow from changes in working capital			
Change in operating receivables		92	–7
Change in operating liabilities		326	342
Cash flow from operating activities		**395**	**297**
Cash flow from operating and investing activities		**395**	**297**
Financing activities			
Repayment of interest-bearing borrowings		–1,247	–1,558
Proceeds from borrowings (net of transaction cost)		998	1,557
Dividends to shareholders		–144	–289
Cash flow from financing activities		**–393**	**–290**
Cash flow for the year		**2**	**7**
Cash and cash equivalents at beginning of year	P9	**0**	**0**
Cash flow for the year		2	7
Exchange difference		–2	–7
Cash and cash equivalents at end of year	P9	**0**	**0**

Notes to the Parent Company financial statements

Note P1 Accounting and valuation policies of the Parent Company

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The statements issued by the Board with respect to listed companies are also applied. RFR 2 states that in the report for the legal entity, the Parent Company shall apply all EU-endorsed IFRSs and statements as far as possible, within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared to IFRS. These financial statements include the financial statements of the Parent Company covering the period from 1 January to 31 December 2020.

Changed accounting standards

Neither revised IFRSs, nor revised RFR 2 (January 2018) effective from 1 January 2020 have entailed any practical change in the accounting standards for the Parent Company.

Differences between the accounting policies of the Group and the Parent Company

The differences between the accounting principles applied by the Group and the Parent Company are described below.

Classification and presentation

The profit and loss account and balance sheet of the Parent Company are presented in accordance with the Swedish Annual Accounts Act. The differences compared to IAS 1, Presentation of Financial Statements, relate mainly to financial income and expenses, equity and the presentation of provisions as a separate item in the balance sheet.

Borrowing costs

Borrowing costs are expensed when incurred and recognised in the other financial expenses in the profit and loss account.

Group contributions

Group contributions received are recognised in other financial income in the profit and loss account. Group contributions paid to group companies are reported by the Parent Company as an investment in shareholdings in group companies in the balance sheet.

Shareholdings in group companies

Shareholdings in group companies are accounted for at acquisition costs. The transaction costs are included in the carrying amount of shareholdings in group companies.

Dividends

Anticipated dividends from group companies are recognised in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Dividends received from group companies are recognised in the profit and loss account.

Employee benefits

Remeasurements arising from defined benefit plans also include the return on plan assets excluding interest and the effect of the asset ceiling, if any, excluding interest. Remeasurements are recognised in the profit and loss account when incurred. Salary increases are not taken into account in the calculation of the defined benefit obligation, and the applied discount rate is established by the Swedish Financial Supervisory Authority. All other expenses related to defined benefit plans are recognised in the general and administrative expenses in the profit and loss account when incurred.

Financial guarantees

For reporting of financial guarantee contracts on behalf of group companies, the Parent Company applies a voluntary exemption that is permitted by the Swedish Financial Reporting Board. The voluntary exemption relates to financial guarantees issued on behalf of group companies. The Parent Company recognises financial guarantee contracts as provisions in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation. The costs are recognised in the general and administrative expenses in the profit and loss account.

Note P2 Breakdown of income

The net sales of SEK 79m (83) relate to intra-group services and intra-group royalty income.

The breakdown of net sales by market is as follows:

SEKm	2020	2019
Sweden	31	36
The Netherlands	17	13
Finland	8	5
Other	23	29
Total	79	83

Note P3 Personnel expenses and number of employees

SEKm	2020	2019
Salaries and remuneration Group Management Team		
– Sweden	14	21
Of which, short-term variable compensation		
– Sweden	0	8
Total salaries and remuneration	14	21
Pension costs Group Management Team		
– Defined contribution plans	3	4
– Defined benefit plans	0	0
Total pension costs	3	4
Social security expenses, all employees	4	9
Total pension costs and social security expenses	7	13
Total personnel expenses	21	34

See pages 88–89 for details on remuneration of the Group Management Team.

The company expenses the pension obligation related to the defined benefit pension plans, which are secured through credit insurance with, and administered by, Försäkringsbolaget PRI Pensionsgaranti, Mutual in the administrative expenses in the profit and loss account.

The average number of employees is 4 (4), of which zero (0) are women. All employees are employed in Sweden.

The specification of gender distribution in the Board of Directors and Group Management Team is as follows:

%	2020	2019
Percentage of women		
Board of Directors	29	43
Group Management Team	18	17

Note P4 Audit fees

SEKm	2020	2019
Fee for auditing services	2	2
Fee for other services		
– Tax advice	–	–
– Audit-related advice	–	–
– Other	–	0
Total other services	–	0
Total audit fees	2	2

For both the financial years 2019 and 2020 PwC was elected as auditor of the Group.

Auditing services relate to:

- the audit of the statutory financial statements of the Parent Company,
- the audit of the Parent Company's administration by the Board of Directors and the President and CEO,
- the procedures for the auditor's statement regarding the guidelines for remuneration to senior executives, pursuant to Chapter 8, Section 54 of the Swedish Companies Act (2005:551), and
- the procedures for the auditor's opinion on the statutory sustainability report.

Note P5 Net financial items

SEKm	2020	2019
Exchange differences on borrowings and cash	–2	7
Group contributions	70	68
Interest income, group companies	9	7
Unrealised gains on single currency interest rate swaps	0	–
Other financial income	79	75
Interest expenses, third-party borrowings	–20	–10
Interest expenses, group companies	–4	–7
Interest expenses on third-party pensions	0	–
Unrealised losses on single currency interest rate swaps	0	–4
Realised losses on single currency interest rate swaps	–3	–3
Other interest expenses	0	1
Other financial expenses	–27	–23
Net financial items	50	59

Note P6 Income taxes

SEKm	2020	2019
Current income tax	–12	–5
Deferred income tax	0	0
Total	–12	–5
The year's income tax expense corresponds to an effective tax rate of, %	22.3	17.9

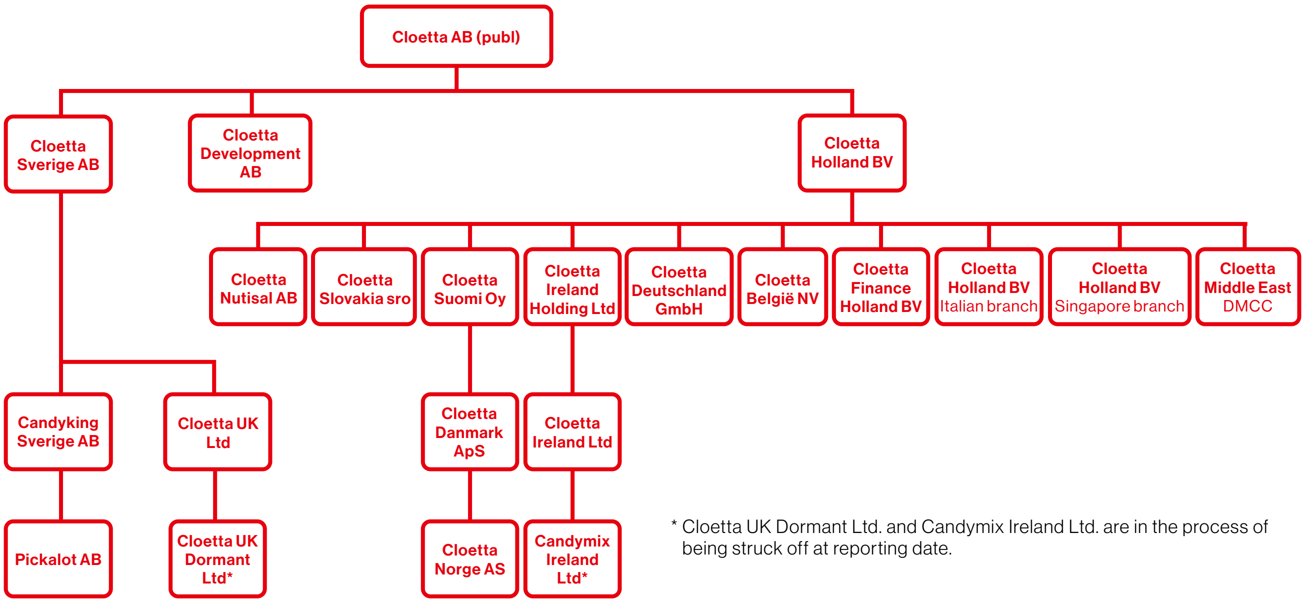
SEKm	2020	2019
The difference between the effective tax rate and the statutory tax rate in Sweden is attributable to the following items:		
Taxable profit from ordinary activities	48	37
Tax calculated at applicable tax rate for the Parent Company	–10	–8
Expenses not deductible for tax purposes	–1	1
Adjustments recognised in the period for tax for prior periods	–1	1
Other	0	1
Income tax	–12	–5
Reported effective tax rate, %	22.3	17.9
Tax rate in Sweden, %	21.4	21.4

Note P1
Note P2
Note P3
Note P4
Note P5
Note P6
Note P7
Note P8
Note P9
Note P10
Note P11
Note P12
Note P13
Note P14
Note P15

Note P7 Deferred and current income tax

Deferred tax assets and liabilities relate to the tax effect of the difference between the tax base of the defined asset or liability and its carrying amount as recognised in the financial statements. Deferred tax for the period was SEK 6m (6) and is considered to be realised after more than 12 months. The recognised deferred taxes comprise deductible temporary differences of SEK 6m (6) and unutilised tax losses carried forward of SEK 0m (0). There are no unrecognised deferred taxes.

Note P8 Shareholdings in group companies



* Cloetta UK Dormant Ltd. and Candymix Ireland Ltd. are in the process of being struck off at reporting date.

			% of capital		Carrying amount in SEKm	
	Corp. ID no.	Domicile	2020	2019	2020	2019
Cloetta Holland B.V.	34221053	Amsterdam, the Netherlands	100	100	4,087	4,087
Cloetta België N.V.	0404183756	Turnhout, Belgium	100	100	–	–
Cloetta Suomi Oy	1933121-3	Turku, Finland	100	100	–	–
Cloetta Danmark ApS	28106866	Brøndby, Denmark	100	100	–	–
Cloetta Norge AS	987943033	Høvik, Norway	100	100	–	–
Cloetta Deutschland GmbH	HRB 9561	Bocholt, Germany	100	100	–	–
Cloetta USA Inc.[2]	EIN 46-2706408	Wilmington, United States	–	–	–	–
Cloetta Finance Holland B.V.	20078943	Amsterdam, the Netherlands	100	100	–	–
Cloetta Slovakia s.r.o.	35 962 488	Bratislava, Slovakia	100	100	–	–
Cloetta Nutisal AB	556706-9264	Helsingborg, Sweden	100	100	–	–
Cloetta Ireland Holding Ltd.	544426	Dublin, Ireland	100	100	–	–
Cloetta Ireland Ltd.	285910	Dublin, Ireland	100	100	–	–
Candymix Ireland Ltd.[7]	494493	Dublin, Ireland	100	100	–	–
Cloetta Middle East DMCC[3]	DMCC156985	Dubai, United Arab Emirates	100	100	–	–
Cloetta Sverige AB[5]	556674-9155	Malmö, Sweden	100	100	795	795
E out instrument AB[5]	559094-9748	Linköping, Sweden	–	–	–	–
Candyking Sverige AB	556319-6780	Stockholm, Sweden	100	100	–	–
Pickalot AB	556730-1857	Stockholm, Sweden	100	100	–	–
Cloetta UK Ltd.[4]	01726257	Hampshire, United Kingdom	100	100	–	–
Cloetta UK Dormant Ltd.[4,7]	06775890	Heysham, United Kingdom	–	100	–	–
FTF Sweets USA Inc.[1]	211476123	Newark, United States	–	–	–	–
Candyking Poland Sp. z o.o.[6]	0000347591	Warsaw, Poland	–	100	–	–
Cloetta Development AB	556377-3182	Linköping, Sweden	100	100	2	2
Total					**4,884**	4,884

1) On 8 February 2017, FTF Sweets USA Inc. was dissolved. The three-year unwinding period ended on 8 February 2020.
2) On 23 May 2017, Cloetta USA Inc. was dissolved. The three-year unwinding period ended on 23 May 2020.
3) On 10 February 2019, Cloetta Middle East DMCC was incorporated.
4) On 1 May 2019, Cloetta UK Ltd was renamed to Cloetta UK Dormant Ltd and Candyking UK Ltd was renamed to Cloetta UK Ltd.
5) On 23 December 2019, E out instrument AB was merged into Cloetta Sverige AB.
6) On 13 February 2020, Cloetta Poland Sp. z o.o. was liquidated.
7) Cloetta UK Dormant Ltd. and Candymix Ireland Ltd. are in the process of being struck off at reporting date.

See Note 1 for disclosures on changes in Group structure.

Note P9 Cash and cash equivalents

A Multicurrency Zero Balancing Cash Pool (MZBCP) is in place, which is held by Cloetta Holland B.V. As a result, only the cash at bank accounts outside the MZBCP is presented for Cloetta AB (publ).

See Note 17 for further details.

Note P10 Equity

Share capital

See Note 19 for a description of the share capital of the Parent Company.

Non-restricted equity

Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the share premium reserve represent the amount of non-restricted equity available for distribution to the shareholders.

Dividend

The Extraordinary General Meeting (EGM) on 3 November 2020 and the Annual General Meeting (AGM) on 4 April 2019 approved the following dividend:

	2020	2019
Ordinary dividend per share, SEK	0.50	1.00
Total dividend, SEKm	144	289
Ordinary dividend as a percentage of profit for the previous year	29	60
Payment date	November 2020	April 2019

After the reporting date, the following dividend was proposed by the Board of Directors. The dividend has not been recognised as liability in the balance sheet

SEKm	2020	2019[1]
Dividend per share, SEK	0.75	0.50
Total dividend, SEKm	216	144

1) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

The Board of Directors proposes that the total earnings in the Parent Company at the disposal of the AGM of SEK 1,657m (1,764) are to be distributed as follows: SEK 216m (289) to be distributed to the shareholders and SEK 1,441m (1,475) to be carried forward to new account. In deviation from the initial proposal, the EGM on 3 November 2020 approved that the 2019 earnings be distributed to the shareholders in an amount of SEK 144m and be carried forward to new account in an amount of SEK 1,620m.

Note P11 Borrowings

The Parent Company's borrowings consist of loans from credit institutions for a net amount of SEK 800m (799) and commercial papers of SEK 250m (499).

The following table shows the reconciliation of movements of liabilities to cash flows arising from financing activities

SEKm	Long-term borrowings	Short-term borrowings	Total
Balance at 1 January 2019	**798**	**500**	**1,298**
Changes from financing cash flows			
Proceeds from commercial papers	–	1,557	1,557
Repayment of commercial papers	–	–1,558	–1,558
Total changes from financing cash flows	**–**	**–1**	**–1**
Other changes			
Amortisation of capitalised transaction costs	1	–	1
Interest expenses, third-party borrowings	8	2	10
Interest paid	–8	–2	–10
Total other changes	**1**	**0**	**1**
Balance at 31 December 2019	**799**	**499**	**1,298**
Changes from financing cash flows			
Proceeds from commercial papers	–	798	798
Repayment of commercial papers	–	–1,047	–1,047
Proceeds from loans	–	200	200
Repayment of loans	–	–200	–200
Total changes from financing cash flows	**–**	**–249**	**–249**
Other changes			
Reclassification between long-term and short-term borrowings	–799	799	–
Amortisation of capitalised transaction costs	–	1	1
Interest expenses, third-party borrowings	6	5	11
Interest paid	–6	–5	–11
Total other changes	**–799**	**800**	**1**
Balance at 31 December 2020	**–**	**1,050**	**1,050**

See Note 20 for the disclosure of the borrowings.

Note P1
Note P2
Note P3
Note P4
Note P5
Note P6
Note P7
Note P8
Note P9
Note P10
Note P11
Note P12
Note P13
Note P14
Note P15

Note P12 Derivative financial instruments

The derivative financial instruments comprise single currency interest rate swap liabilities amounting to SEK 3m (4) of which SEK 0m (2) is non-current in nature.

Note P13 Accrued expenses and deferred income

Accrued expenses and deferred income amount to SEK 16m (21), of which SEK 3m (13) is related to accrued personnel-related expenses and SEK 13m (8) to other accrued expenses and deferred income.

Note P14 Pledged assets and contingent liabilities

SEKm	31 Dec 2020	31 Dec 2019
Contingent liabilities		
Guarantees on behalf of group companies	801	834
Guarantee for loans from credit institutions for group companies	1,254	1,306
Total	2,055	2,140

The company issued a parent company guarantee pursuant to Article 403, Book 2 of the Dutch Civil Code in respect of Cloetta Holland B.V. and Cloetta Finance Holland B.V. This means that Cloetta AB declares and accepts, under reservation of legal repeal of the declaration, joint and several liability for the debts resulting from legal acts of Cloetta Holland B.V. and Cloetta Finance Holland B.V. As the probability of a settlement is remote, an estimate of the financial effect is not practical to calculate. The term and revolving facilities agreement is unsecured in nature.

Note P15 Related-party transactions

The Parent Company's holdings of shares and participations in subsidiaries are specified in Note P8.

Receivables from and liabilities to subsidiaries are broken down as follows:

SEKm	31 Dec 2020	31 Dec 2019
Non-current interest-bearing receivables	464	471
Current interest-free receivables	77	97
Non-current interest-bearing payables	–137	–136
Current interest-bearing payables	–1,096	–758
Current interest-free payables	0	–17
Total	–692	–343

For the Parent Company, SEK 79m (83), equal to 100 per cent (100) of the year's net sales, and SEK 50m (57), equal to 62 per cent (54) of the year's purchases, relate to group companies in the Cloetta Group. The prices of goods and services sold to and purchased from related parties are set on market-based terms.

At 31 December 2020, the Parent Company's receivables from group companies amounted to SEK 521m (568) and liabilities to subsidiaries amounted to SEK 1,233m (911). Transactions with related parties are priced on market-based terms. Total costs excluding social security charges related to the share-based long-term incentive plan amounted to SEK 1m (1), of which SEK 1m (1) is related to the Group Management Team.

The Parent Company has no past experience of credit losses on receivables from group companies and future credit losses are expected to be immaterial.

Note P1
Note P2
Note P3
Note P4
Note P5
Note P6
Note P7
Note P8
Note P9
Note P10
Note P11
Note P12
Note P13
Note P14
Note P15

Proposed appropriation of earnings

Earnings in the Parent Company at the diposal of the Annual General Meeting		2020
Share premium reserve	SEK	2,711,620,366
Retained earnings	SEK	–1,091,817,857
Profit for the year	SEK	36,972,469
Total	**SEK**	**1,656,774,978**

The Board of Directors proposes that dividends be paid in a total amount of SEK 216,464,474 equal to SEK 0.75 per share. The Board of Directors proposes that the earnings be disposed of as follows:

The earnings are to be disposed as follows:		2020
To be distributed to the shareholders	SEK	216,464,474
To be carried forward to new account	SEK	1,440,310,504
Total	**SEK**	**1,656,774,978**

The number of shares at 31 December 2020 was 288,619,299.

The Board of Directors and the President and CEO give their assurance that the consolidated financial statements and annual report have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, on the Application of International Accounting Standards and Generally Accepted Accounting Standards, and give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed. The statutory Sustainability Report, comprising those areas in the Cloetta AB (publ) annual report with content specified on the inside of the front cover, has been approved for publication by the Board of Directors.

Stockholm, 11 March 2021

Mikael Norman
Chairman

Lottie Knutson
Member of the Board

Patrick Bergander
Member of the Board

Alan McLean Raleigh
Member of the Board

Mikael Svenfelt
Member of the Board

Camilla Svenfelt
Member of the Board

Mikael Aru
Member of the Board

Lena Grönedal
Employee Board member

Mikael Ström
Employee Board member

Henri de Sauvage-Nolting
President and CEO

Our audit report was issued on 11 March 2021.

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant
Partner in charge

Erik Bergh
Authorised Public Accountant

The profit and loss accounts and balance sheets of the Group and the Parent Company are subject to approval by the AGM on 6 April 2021. 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 15 March 2021, at 08:00 CET.

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Cloetta AB (publ), corporate identity number 556308-8144

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Cloetta AB (publ) for the year 2020 except for the corporate governance statement and sustainability report on pages 2–3, 76–79, 85 and 90. The annual accounts and consolidated accounts of the company are included on pages 1–4 and 69–145 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 82–95 and the sustainability report on pages 2–3, 76–79, 85 and 90. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Overview

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment test for intangible assets Goodwill and other intangible assets with an indefinite useful life represent a significant part of the Balance Sheet of Cloetta and amount to SEK 5,424m (5,540) as of 31 December 2020. The group annually performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating unit in which goodwill and other intangible assets are reported, as required by IFRS. Impairment tests, are by their nature, is based on a high level of judgments and assumptions regarding future cash flows. Information is provided in Notes 11 and 30 as to how the group's management has undertaken its assessments, and, also provides information on important assumptions. Key variables in the test are growth rate and discount factor (cost of capital). It is also presented that no impairment requirement has been identified based on the assumptions undertaken. As described in note 11 the current market conditions, which are affected by the current pandemic, have had a negative effect on Cloetta's business and thereby increased the risk for impairment of intangibles assets. Cloetta has concluded that there is no impairment of intangible assets to be recorded per 31 December 2020 for any of its cash generating units. It has also been concluded that the cash generating unit Netherlands & Germany is most sensitive to a negative development in key assumptions.	In our audit, we have evaluated the calculation model applied by management and tested the mathematical accuracy. This implies that we have reconciled and critically tested essential variables against budget and long-term plan for the group and in some cases towards external data. Furthermore, we have performed a retrospective review of the prior period estimate by comparing it to actual current period results. We have tested the sensitivity in the group's analysis for key variables in order to assess the risk for impairment. We have also assessed the disclosures included in the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 149–169. Other information also consists of the renumeration report 2020 which we obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Cloetta AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 82–95 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Anna Lindhs plats 4, Malmö, was appointed auditor of Cloetta AB (publ) by the general meeting of the shareholders on the 2 April 2020 and has been the company's auditor since the 4 April 2019.

Stockholm 11 March 2021

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant
Partner in charge

Erik Bergh
Authorised Public Accountant

Ten-year overview

SEKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Profit and loss account in summary										
Net sales	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859	4,658
Cost of goods sold	–3,718	–4,112	–3,934	–3,678	–3,084	–3,463	–3,325	–3,081	–3,157	–2,911
Gross profit	**1,977**	**2,381**	**2,284**	**2,106**	**2,023**	**2,211**	**1,988**	**1,812**	**1,702**	**1,747**
Other operating income	–	–	4	6	–	0	5	12	13	1
Selling expenses	–951	–1,011	–1,025	–972	–806	–949	–892	–850	–888	–915
General and administrative expenses	–564	–643	–603	–613	–582	–591	–524	–556	–702	–473
Operating profit	**462**	**727**	**660**	**527**	**635**	**671**	**577**	**418**	**125**	**360**
Exchange differences cash and cash equivalents in foreign currencies	–10	–19	–16	–17	–8	–1	–11	–12	20	–12
Other financial income	3	2	5	7	17	6	4	24	5	11
Other financial expenses	–52	–62	–87	–74	–175	–183	–232	–220	–290	–599
Net financial items	**–59**	**–79**	**–98**	**–84**	**–166**	**–178**	**–239**	**–208**	**–265**	**–600**
Profit/loss before tax	**403**	**648**	**562**	**443**	**469**	**493**	**338**	**210**	**–140**	**–240**
Income tax expense	–122	–150	–79	–206	–122	–107	–96	54	67	172
Profit/loss for the period for continuing operations	**281**	**498**	**483**	**237**	**347**	**386**	**242**	**264**	**–73**	**–68**
Result after tax from discontinued operations	–	–	–	–334	–538	–	–	–	–	–
Net profit/loss for the period	**281**	**498**	**483**	**–97**	**–191**	**386**	**242**	**264**	**–73**	**–68**
Profit for the period attributable to:										
Owners of the Parent Company										
Continuing operations	281	498	483	237	347	386	242	264	–73	–68
Discontinued operation	–	–	–	–334	–538	–	–	–	–	–
Total	**281**	**498**	**483**	**–97**	**–191**	**386**	**242**	**264**	**–73**	**–68**

SEKm	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Balance sheet in summary										
Intangible assets	5,563	5,684	5,626	5,490	5,354	5,948	5,882	5,252	5,099	4,811
Property, plant and equipment	1,560	1,559	1,354	1,338	1,700	1,698	1,667	1,660	1,611	1,318
Deferred tax asset	20	9	16	20	54	64	84	73	473	447
Other financial assets	3	7	11	11	13	27	105	91	88	261
Total non-current assets	**7,146**	**7,259**	**7,007**	**6,859**	**7,121**	**7,737**	**7,738**	**7,076**	**7,271**	**6,837**
Inventories	952	888	765	745	780	786	853	798	773	640
Trade and other receivables	736	928	838	881	988	975	1,121	933	951	1,051
Current income tax assets	27	6	6	8	36	3	3	0	4	2
Derivative financial instruments	–	–	1	0	4	1	2	–	–	–
Cash and cash equivalents	396	579	551	759	298	246	229	167	306	97
Total current assets	**2,111**	**2,401**	**2,161**	**2,393**	**2,106**	**2,011**	**2,208**	**1,898**	**2,034**	**1,790**
Assets held for sale	–	–	–	–	9	11	16	15	35	15
TOTAL ASSETS	**9,257**	**9,660**	**9,168**	**9,252**	**9,236**	**9,759**	**9,962**	**8,989**	**9,340**	**8,642**
Equity	**4,179**	**4,197**	**3,968**	**3,818**	**4,199**	**4,344**	**4,048**	**3,747**	**3,326**	**–385**
Long-term borrowings	111	939	2,076	1,715	2,666	2,612	2,993	3,096	2,516	6,077
Deferred tax liability	837	803	754	703	586	621	483	397	824	728
Derivative financial instruments	0	3	3	2	12	44	56	21	3	0
Other non-current liabilities	–	–	–	138	–	43	147	2	–	–
Provisions for pensions and other long-term employee benefits	512	499	419	374	396	378	505	360	452	250
Provisions	5	5	9	5	22	10	16	7	11	24
Total non-current liabilities	**1,465**	**2,249**	**3,261**	**2,937**	**3,682**	**3,708**	**4,200**	**3,883**	**3,806**	**7,079**
Short-term borrowings	2,368	1,870	500	999	2	344	423	212	747	747
Derivative financial instruments	54	68	61	71	54	35	16	2	21	0
Trade and other payables	1,144	1,227	1,342	1,394	1,196	1,216	1,152	967	1,264	1,038
Provisions	24	5	23	3	64	57	65	79	79	60
Current income tax liabilities	23	44	13	30	39	55	58	99	97	103
Total current liabilities	**3,613**	**3,214**	**1,939**	**2,497**	**1,355**	**1,707**	**1,714**	**1,359**	**2,208**	**1,948**
Total equity and liabilities	**9,257**	**9,660**	**9,168**	**9,252**	**9,236**	**9,759**	**9,962**	**8,989**	**9,340**	**8,642**

Key ratios

SEKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011[1]
Profit										
Net sales	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859	4,658
Net sales, change %	–12.3	4.4	7.5	13.3	n/a	6.8	8.6	0.7	4.3	n/a
Organic net sales, change, %	–11.2	2.3	–2.8	–1.2	n/a	1.5	1.0	–1.0	–4.1	n/a
Gross margin, %	34.7	36.7	36.7	36.4	39.6	39.0	37.4	37.0	35.0	37.5
Depreciation	–265	–290	–218	–218	–206	–227	–198	–175	–167	–115
Amortisation	–10	–11	–12	–11	–5	–4	–3	–2	–1	–8
Impairment loss other non-current assets	–13	–2	–	–9	–2	–	–	–	–	–
Operating profit (EBIT), adjusted	515	743	677	604	695	690	632	585	432	565
Operating profit margin (EBIT margin), adjusted %	9.0	11.4	10.9	10.4	13.6	12.2	11.9	12.0	8.9	12.1
Operating profit/loss (EBIT)	462	727	660	527	635	671	577	418	125	360
Operating profit/loss margin (EBIT margin), %	8.1	11.2	10.6	9.1	12.4	11.8	10.9	8.5	2.6	7.8
EBITDA, adjusted	792	1,046	907	833	906	921	833	762	600	688
EBITDA	750	1,030	890	765	848	902	778	595	293	483
Profit margin, %	7.1	10.0	9.0	7.7	9.2	8.7	6.4	4.3	–2.9	–5.1
Financial position										
Working capital	540	589	402	232	572	628	819	763	458	586
Capital expenditure	372	235	184	157	170	161	186	211	269	224
Net debt	2,139	2,302	2,091	2,035	2,443	2,818	3,308	3,230	3,056	2,827
Capital employed	7,224	7,576	7,027	6,979	7,329	7,756	8,041	7,438	7,066	6,682
Return on capital employed, %[2]	6.3	10.0	9.5	8.2	11.1	8.6	7.5	6.1	1.9	5.7
Equity/assets ratio, %	45.1	43.4	43.3	41.3	45.5	44.5	40.6	41.7	35.6	–4.5
Net debt/equity ratio, %	51.2	54.8	52.7	53.3	58.2	64.9	81.7	86.2	91.9	–734.3
Return on equity, %	6.7	11.9	12.2	6.2	–4.5	8.9	6.0	7.0	–2.2	n/a
Equity per share, SEK	14.5	14.5	13.7	13.2	14.5	15.1	14.0	13.0	11.5	n/a
Net debt/EBITDA, x	2.7	2.2	2.3	2.4	2.4	3.0	4.0	4.2	4.9	n/a
Cash flow										
Cash flow from operating activities	656	724	628	712	889	927	500	131	330	492
Cash flow from investing activities	–289	–330	–184	–22	–322	–367	–369	–202	–1,506	–335
Cash flow after investments	367	394	444	690	567	560	131	–71	–1,176	157
Free cash flow	366	538	444	555	719	766	318	–80	61	268
Free cash flow yield, %	5.2	5.9	6.3	6.5	8.7	9.5	4.9	–1.4	1.6	7.0
Cash flow from operating activities per share, SEK	2.3	2.5	2.2	2.5	3.1	3.2	1.7	0.5	1.1	n/a

1) The key figures per share for the year 2011 are not representative for the current group due to to a completely different equity structure before the merger between Cloetta and Leaf.
2) Return on capital employed for 2016 was calculated pro-forma for continuing operations.
3) Average number of employees is presented for continuing operations in 2017. Employee numbers in 2019 have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.
4) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of its long-term share-based incentive plan. The table in Note 23 presents the movements in the contracts since 1 January 2019.
5) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011[1]
Employees										
Average number of employees[3]	2,653	2,629	2,458	2,467	2,115	2,583	2,533	2,472	2,579	2,192
Share data[1]										
Earnings per share, SEK										
Basic[4]	0.98	1.74	1.69	–0.34	–0.67	1.35	0.84	0.92	–0.26	n/a
Diluted[4]	0.98	1.74	1.68	–0.34	–0.67	1.35	0.84	0.92	–0.26	n/a
Earnings per share from continuing operations, SEK										
Basic[4]	0.98	1.74	1.69	0.83	1.21	1.35	0.84	0.92	–0.26	n/a
Diluted[4]	0.98	1.74	1.68	0.83	1.21	1.35	0.84	0.92	–0.26	n/a
Earnings per share from discontinued operation, SEK										
Basic[4]	–	–	–	–1.17	–1.88	–	–	–	–	–
Diluted[4]	–	–	–	–1.17	–1.88	–	–	–	–	–
Ordinary dividend per share, proposed, SEK[5]	0.75	0.50[5]	1.00	0.75	0.75	0.50	–	–	–	–
Special dividend per share, SEK	–	–	–	0.75	–	–	–	–	–	–
Number of shares at end of period	298,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	262,137,526
Average number of shares (basic)[4]	286,590,993	286,578,395	286,492,413	286,320,464	286,193,024	286,290,840	286,987,990	288,010,947	276,132,021	262,137,526
Average number of shares (diluted)[4]	286,805,203	286,724,049	286,650,070	286,492,178	286,447,465	286,561,607	287,092,780	288,026,408	276,132,021	262,137,526
Share-price at year-end, SEK	24.52	31.70	24.30	29.70	28.70	28.00	22.60	19.40	13.45	14.50
Exchange Rates										
EUR, average	10.4880	10.5815	10.2543	9.6362	9.4700	9.3445	9.1051	8.6513	8.6958	9.0228
EUR, end of period	10.0343	10.4468	10.2274	9.8210	9.5804	9.1679	9.3829	8.8630	8.5750	8.9100
NOK, average	0.9757	1.0748	1.0672	1.0324	1.0200	1.0432	1.0882	1.1071	1.1643	1.1577
NOK, end of period	0.9584	1.0591	1.0294	0.9997	1.0548	0.9563	1.0439	1.0592	1.1667	1.1467
GBP, average	11.7868	12.0732	11.5917	10.9909	11.5480	12.8736	11.3118	10.1987	10.7429	10.4057
GBP, end of period	11.1613	12.2788	11.3992	11.0684	11.1673	12.4835	12.0340	10.6501	10.5215	10.6668
DKK, average	1.4070	1.4173	1.3760	1.2956	1.2721	1.2529	1.2215	1.1601	1.1682	1.2112
DKK, end of period	1.3485	1.3982	1.3698	1.3192	1.2888	1.2287	1.2604	1.1882	1.1495	1.1987

1) The key figures per share for the year 2011 are not representative for the current group due to to a completely different equity structure before the merger between Cloetta and Leaf.
2) Return on capital employed for 2016 was calculated pro-forma for continuing operations.
3) Average number of employees is presented for continuing operations in 2017. Employee numbers in 2019 have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.
4) Cloetta entered into forward contracts to repurchase own shares to fulfil its future obligation to deliver the shares to the participants of its long-term share-based incentive plan. The table in Note 23 presents the movements in the contracts since 1 January 2019.
5) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

Reconciliation of alternative performance measures

SEKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Items affecting comparability										
Acquisitions, integration and restructurings	–53	–13	–38	–62	–43	–47	–85	–167	n/a	n/a
of which: impairment loss other non-current assets	–11	–	–	–9	–2	–	–	–	n/a	n/a
Remeasurements of contingent considerations	–	–	21	5	–17	33	27	–	n/a	n/a
Remeasurements of assets held for sale	–	–	–	–	–	–5	–	–	n/a	n/a
Other items affecting comparability	–	–3	0	–20	–	–	3	–	n/a	n/a
Items affecting comparability*	**–53**	**–16**	**–17**	**–77**	**–60**	**–19**	**–55**	**–167**	**–307**	**–205**
* Corresponding line in the condensed consolidated profit and loss account:										
Net Sales	–	–	0	–	–	–4	–	–	n/a	n/a
Cost of goods sold	–19	2	3	–39	–15	–22	–51	–121	n/a	n/a
Other operating income	–	–	4	4	–	–	3	12	n/a	n/a
Selling expenses	–12	–6	–1	–6	–	–12	–7	–4	n/a	n/a
General and administrative expenses	–22	–12	–23	–36	–45	19	–	–54	n/a	n/a
Total	–53	–16	–17	–77	–60	–19	–55	–167	–307	–205
Operating profit, adjusted[1]										
Operating profit	462	727	660	527	635	671	577	418	125	360
Minus: Items affecting comparability	–53	–16	–17	–77	–60	–19	–55	–167	–307	–205
Operating profit, adjusted	**515**	**743**	**677**	**604**	**695**	**690**	**632**	**585**	**432**	**565**
Net sales	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859	4,658
Operating profit margin, adjusted, %	**9.0**	**11.4**	**10.9**	**10.4**	**13.6**	**12.2**	**11.9**	**12.0**	**8.9**	**12.1**
EBITDA, adjusted[1]										
Operating profit	462	727	660	527	635	671	577	418	125	360
Minus: Depreciation	–265	–290	–218	–218	–206	–227	–198	–175	–167	–115
Minus: Amortisation	–10	–11	–12	–11	–5	–4	–3	–2	–1	–8
Minus: Impairment loss other non-current assets	–13	–2	–	–9	–2	–	–	–	–	–
EBITDA	**750**	**1,030**	**890**	**765**	**848**	**902**	**778**	**595**	**293**	**483**
Minus: Items affecting comparability (excl. impairment loss goodwill and trademarks and other non-current assets)	–42	–16	–17	–68	–58	–19	–55	–167	–307	–205
EBITDA, adjusted	**792**	**1,046**	**907**	**833**	**906**	**921**	**833**	**762**	**600**	**688**
Capital employed[1,2]										
Total assets	9,257	9,660	9,168	9,252	9,236	9,759	9,962	8,989	9,340	8,642
Minus: Deferred tax liability	837	803	754	703	586	621	483	397	824	728
Minus: Other non-current liabilities	–	–	–	138	–	43	147	2	–	–
Minus: Non-current provisions	5	5	9	5	22	10	16	7	11	24
Minus: Current provisions	24	5	23	3	64	57	65	79	79	60
Minus: Trade and other payables	1,144	1,227	1,342	1,394	1,196	1,216	1,152	967	1,264	1,038
Minus: Current income tax liabilities	23	44	13	30	39	55	58	99	97	103
Plus: Interest-bearing other current liabilities	–	–	–	–	–	–1	–	–	1	–7
Capital employed	**7,224**	**7,576**	**7,027**	**6,979**	**7,329**	**7,756**	**8,041**	**7,438**	**7,066**	**6,682**
Capital employed comparative period previous year	7,576	7,027	6,979	5,966	7,756	8,041	7,438	7,066	6,682	6,575
Average capital employed	**7,400**	**7,302**	**7,003**	**6,473**	**7,543**	**7,899**	**7,740**	**7,252**	**6,874**	**6,629**

1) The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated.
2) Return on capital employed for 2017 has been calculated pro-forma for continuing operations.

SEKm	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Return on capital employed[1,2]										
Operating profit (rolling 12 months)	462	727	660	527	635	671	577	418	125	360
Financial income (rolling 12 months)	3	2	5	7	17	6	4	24	5	11
Operating profit plus financial income (rolling 12 months)	**465**	**729**	**665**	**534**	**652**	**677**	**581**	**442**	**130**	**371**
Average capital employed	7,400	7,302	7,003	6,473	5,879	7,899	7,740	7,252	6,874	6,629
Return on capital employed, %	**6.3**	**10.0**	**9.5**	**8.2**	**11.1**	**8.6**	**7.5**	**6.1**	**1.9**	**5.6**
Free cash flow yield[1]										
Cash flow from operating activities (Rolling 12 months)	656	724	628	712	889	927	500	131	330	492
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	–290	–186	–184	–157	–170	–161	–182	–211	–269	–224
Free cash flow (Rolling 12 months)	**366**	**538**	**444**	**555**	**719**	**766**	**318**	**–80**	**61**	**268**
Number of shares	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	262,137,526
Free cash flow per share (Rolling 12 months), SEK	1.27	1.86	1.54	1.92	2.49	2.65	1.10	–0.28	0.21	1.02
Market price per share, SEK	24.52	31.70	24.30	29.70	28.70	28.00	22.60	19.40	13.45	14.50
Free cash flow yield (Rolling 12 months), %	**5.2**	**5.9**	**6.3**	**6.5**	**8.7**	**9.5**	**4.9**	**–1.4**	**1.6**	**7.0**
Changes in net sales										
Net sales	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893	4,859	4,658
Net sales comparative period previous year	6,493	6,218	5,784	5,107	n/a	5,313	4,893	4,859	4,658	5,019
Net sales, change	**–798**	**275**	**434**	**677**	**n/a**	**361**	**420**	**34**	**201**	**–361**
Minus: Structural changes	–	–	375	708	n/a	208	213	n/a	n/a	n/a
Minus: Changes in exchange rates	–70	129	217	30	n/a	77	158	n/a	n/a	n/a
Organic growth	**–728**	**146**	**–158**	**–61**	**n/a**	**76**	**49**	**n/a**	**n/a**	**n/a**
Structural changes, %	–	–	6.5	13.9	n/a	3.9	4.4	n/a	n/a	n/a
Organic growth, %	–11.2	2.3	–2.8	–1.2	n/a	1.4	1.0	–1.0	–4.1	n/a

1) The key figure has been affected by IFRS 16 'Leases' as of 1 January 2019. Comparative figures are not restated.
2) Return on capital employed for 2017 has been calculated pro-forma for continuing operations.

Materiality & impact

Cloetta's overall sustainability mission is to contribute to a Sweeter Future by taking responsibility for our impacts, both positive and negative, on people, society and the environment. We combine this responsibility with a focus on creating value for our stakeholders which is fundamental to Cloetta's continued success and growth.

Materiality analysis

During 2020, we updated our materiality analysis; the outcome can be seen on page 158. Cloetta reports the results of its sustainability work in accordance with the Global Reporting Initiative (GRI). One fundamental principle is to base our work on the most material issues. Material issues are topics that reflect Cloetta's significant economic, environmental and social impacts. Materiality is the point at which an issue is important for stakeholders and where Cloetta can have a real impact and create value.

The ranking of issues is conducted through the insights of internal experts with an understanding of stakeholder priorities, as well as feedback from employees, consumers, customers and the investor community. Each topic is assessed annually, and managed accordingly with support of Group Management when activity related to a topic arises.

Two Code of Conducts

Cloetta's business activities and sustainability work are based on the Cloetta Code of Conduct. The updated version was launched in 2020 and includes principles and guidelines based on the UN's Global Compact. The Code of Conduct contains commitments regarding human rights, business ethics and anti-corruption, the company's assets, data security and environmental responsibility. Training on the new Code of Conduct was conducted through e-learning.

We are a Signatory of the UN Global Compact, we support the OECD Guidelines for Multinational Enterprises, and we apply the UN Guiding Principles on Business & Human Rights in our work to identify and remediate any negative impact on people that is a direct or indirect result of our operations.

These principles are the foundation for the new Supplier Code of Conduct which was developed during 2020 and will be implemented in 2021. It specifies our requirements as well as our ambitions when it comes to upholding human and labour rights, conducting ethical business and improving suppliers' performance in health & safety and environmental management.

Anti-corruption policy

Cloetta uses a number of policies that are based on our Code of Conduct, one of which is the anti-corruption and anti-bribery policy. The policy applies to all parties that represent Cloetta (including temporary staff, sub-contractors' staff and sales agents) and covers all business activities and relationships of the company in all markets. The anti-corruption policy describes the Cloetta's control principles and provides information about deviation reporting and penalties for non-compliance.

The risk of corruption is not deemed to be significant, but is monitored (see page 78) primarily due to Cloetta's extensive supply chain and rapid societal changes in Cloetta's markets.

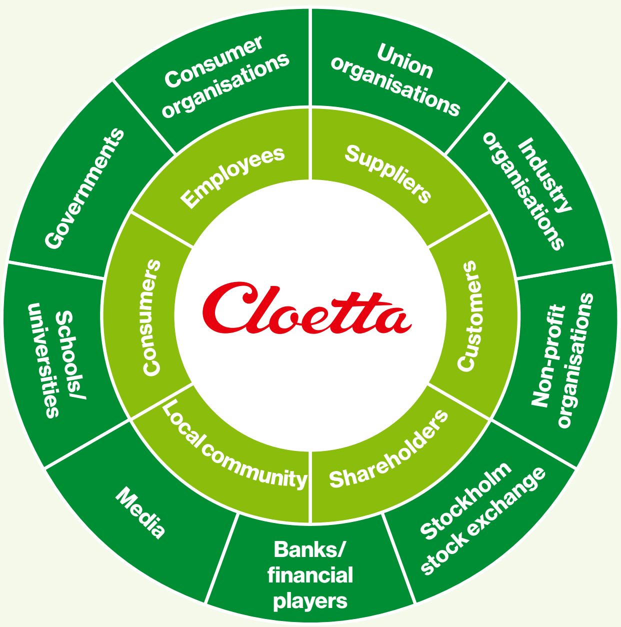
Organisation

The Board of Directors and President and CEO are ultimately responsible for Cloetta's sustainability-related efforts and results. Cloetta's Group Management Team has been deeply involved in developing the new Sustainability Agenda during 2020 and for

Cloetta's stakeholders

Cloetta's primary stakeholders are customers, consumers, employees, shareholders, suppliers and society. These groups are a necessary prerequisite for Cloetta's long-term profitability.

Cloetta has an open and ongoing dialogue, in particular with primary stakeholders, based on each group's expectations and requirements. Representatives of the primary stakeholders regularly contribute to Cloetta's materiality analysis.



each of the different sustainability initiatives there is one executive sponsor from Cloetta's Group Management Team. Sustainability Affairs report on progress at monthly Group Management Team meetings where sustainability is a standing item on the agenda. In addition, the company's different business function leaders are responsible for the implementation of the sustainability agenda within their part of the organisation. Environmental and occupational health and safety managers are in place at all Cloetta's factories, and during 2020 a group HSE manager was recruited.

With the support of Sustainability Affairs, Management is responsible for evaluating the effectiveness and relevance of the management approach to sustainability.

Whistleblower portal

Cloetta's whistleblower portal gives all employees the opportunity to anonymously report serious misconduct and deviations from Cloetta's Code of Conduct and business ethics principles. All reports are treated confidentially. Personal data concerning breaches of law are handled only by key persons or individuals in management positions.

In 2020, we had four cases, two of which were not deemed to be whistleblowing matters and were responded to locally. The other two reports are under investigation but so far no corrupt behaviour has been discovered.

Sustainability Policies & Procedures

- Monthly progress tracking at Management Team meeting
- Use of third-party certification schemes
- Cloetta's Code of Conduct
- Cloetta's Supplier Code of Conduct
- Executive directors' ownership of sustainability initiatives
- Discovery platforms for innovation
- BRC (British Retail Consortium Global Standard for Food Safety)
- GMP (Good Manufacturing Practices)
- Internal control policy
- HSE Policy and management systems
- Anti-bribery and Anti-corruption policy
- Whistleblower policy

Sustainability Agenda

Responsibility and limitations

To increase Cloetta's positive footprint and reduce our negative impact, we analyse where impact occurs and where a difference can be made in the value chain. Our responsibility extends beyond our own operations and includes our ability to influence others in the value chain. By taking a value chain perspective, Cloetta can identify opportunities and risks, dedicate resources and report how we create value.

Commitments

From raw materials to cherished brands

Cloetta's sustainability work covers the entire value chain, from raw material to finished product. The company places high demands on its own business operations and those of suppliers.

Product content Cloetta is subject to several laws and regulations concerning food safety and quality. However, the company takes its responsibility further and aims to be a forerunner in developing the content of its products. For example, NAFNAC (No Artificial Flavourings, No Artificial Colours) aims to offer a portfolio of products that contain no artificial flavourings or colourants.

Environmental impact Cloetta works systematically to minimise the environmental impact of its operations. Efforts are aimed at complying with applicable laws and rules and continuous improvement. Cloetta's foremost direct environmental impact arises through energy and water consumption, materials usage and waste and wastewater.

Cloetta's sustainability report

Cloetta's sustainability report is issued by the Board of Directors, and is prepared in accordance with the GRI Standards: Core option. The sustainability report covers the entire business operations of the company, unless otherwise stated. The content has been established based on Cloetta's materiality analysis, described on pages 158–159. The sustainability report consists of pages 2–3, 5, 8–13, 14–27, 53, 59–62, 76–80, 85, 90, 156–162 , which also includes the GRI Index. The index can be found on pages 160–162 , and references to where different information is available. The sustainability report constitutes Cloetta's Communication on Progress to the UN Global Compact.

The sustainability report has been limited assured by PwC; see Auditor's report on page 163. The latest sustainability report was issued on 12 March 2020. Questions about Cloetta's sustainability report can be directed to: sustainability@cloetta.com.

Gathering data

Environmental data is gathered through direct measurements as well as through specifications from suppliers that provide heat and electricity and also handle waste management. Data is reported monthly from the factories and consolidated at a Group level. Cloetta uses the global Greenhouse Gas Protocol for calculating the majority of the company's CO_2 emissions. Conversion factors used are provided by suppliers. Figures for our scope 3 emissions are not complete, as 2020 was the first year collecting this data. Waste data was also collected according to the GRI standard in 2020, broadening the scope with more fractions.

Employee-related data comes from Cloetta's HR system. Work-related incidents and accidents are reported and followed up by each factory within the Group. Information is aggregated at a Group level.

Strategic components	
Policy and prioritised areas	• Overall strategy • Code of Conduct • Supplier Code of Conduct • Sustainability Agenda
Goals and KPIs	• Overall financial targets • Goals and KPIs for each part of Cloetta's sustainability agenda (in development)
Data	• See entire annual and sustainability report
Management systems, programs and certifications	• Perfect Factory for efficient manufacturing • IFRS for financial reporting • Cloetta's leadership platform • BRC for food safety • ISO 14001 for the environment • Rainforest Alliance/ UTZ for cocoa • RSPO for palm oil
External statutes or initiatives	• UN Global Compact • Relevant ILO conventions • EWC (European Works Council)

Materiality & Governance

An issue is material to Cloetta when it meets our two materiality criteria: it needs to be important to our stakeholders (employees, customers, consumers, suppliers, investors, society) and in areas where we have the ability to make an impact and create value.

Materiality analysis

Importance to Cloetta's stakeholders (Important → Very important)

Trust builders, Communication gaps

- Transparency
- Responsible marketing
- Country of origin (traceability)
- Ethics and anti-corruption
- Local community engagement

Value creators

- Total carbon impact of entire value chain
- Food safety
- Human & labour rights in the supply chain
- Consumer health
- Circular and renewable packaging

Manage & Improve

- Energy use
- Food waste
- Waste management
- Employee well-being
- Equality & Diversity in the workplace

Business enablers

- Living conditions (incl income) in the supply chain
- Biodiversity impact from key raw materials
- Transport & logistics
- Attract, retain and develop employees
- Occupational health & safety

High → Very high

Cloetta's ability to impact the environment, society and create value

Stakeholders' key sustainability issues

Stakeholder	Key issues – sustainability	Communication and cooperation
Customers and consumers	• Food safety and Consumer health • Total carbon impact of entire value chain • Human & labour rights in the supply chain • Circular and renewable packaging • Transport & Logistics	• With consumers via annual surveys and via websites and social media • With customers through in-person (or online) customer and sales meetings three times per year, and via customer surveys and collaborative initiatives for eco-efficient transportation
Employees, Board & Management	• Attract, retain and develop employees • Health & safety, employee well-being • Equality & diversity in the workplace • Ethics and anti-corruption • Total carbon impact of entire value chain • Long-term, sustainable value growth	• Daily meetings to discuss occupational health and safety in the factories • Annual performance reviews with all employees • Systematic competence development • Up-to-date information provided monthly, e.g. via managers, union representatives and Cloetta's intranet • Employee survey "Brilliant" every other year
Shareholders and investors	• Long-term, sustainable value growth • Transparency & Risk management • Ethics and anti-corruption • Total carbon impact of entire value chain • Human & labour rights in the supply chain	• Analyst and investor meetings • Interim reports • Annual general meeting • Annual report • Cloetta's website
Suppliers	• Food safety • Total carbon impact of entire value chain • Human & labour rights in the supply chain • Biodiversity impact from key raw materials • Ethics and anti-corruption • Circular and renewable packaging • Transport & Logistics	• Annual evaluation of suppliers' performance • Audits • Development projects • Collaborative projects for sustainability
Communities and the public	• Transparency • Local community engagement • Total carbon impact of entire value chain • Human & labour rights in the supply chain	• Continuous contact with the local communities/municipalities close to Cloetta's factories with regard to the local environment • Annual audits by certification bodies for ISO, BRC, RSPO and UTZ/RA • Continuous contact with key opinion leaders
Regulatory authorities	• Legal and regulatory compliance	• Continuous contact with public authorities in areas related to workplace health and safety, environmental and product responsibility

Cloetta's materiality topics

Materiality topic definitions & scope	
Ethics and anti-corruption	The risk of business partners being complicit in unethical practices such as bribery, corruption, fraud, money laundering, or anti-competitive behaviour. Impacts occur mostly in the supply chain.
Transparency	Promoting responsible, open and complete communications on the environmental and social impacts of our products, including reporting, product labelling, etc. Impacts are in the form of gained or lost trust among our stakeholders.
Consumer health	Consequences from overconsumption of candy like tooth decay, diabetes and obesity. Impacts mainly for consumers but important also for customers and society.
Food safety	Protecting consumers from food allergies and other food related risks (e.g. foreign objects). Impacts can be both positive and negative for maintaining trust with customers and consumers.
Human & labour rights in the supply chain	To combat child labour and forced labour in the agricultural sector. Indirect impacts occurs upstream in our value chain, with significance for multiple stakeholders. An area that can only be influenced through partnerships with suppliers and certification bodies. (GRI 414)
Living conditions (incl income) in supply chain	To combat poverty and hunger in the agricultural sector and thus ensure long term access to raw materials. Indirect impacts occurs upstream in our value chain, with significance for multiple stakeholders. An area that can only be influenced through partnerships with suppliers and certification bodies. (GRI 414)
Employee well-being	Long-term prevention activities such as diet, exercise, training that contribute to a healthier workforce. Significance is highest for employees and management, and is an area where we have the ability to have a great impact.
Occupational health & safety	Providing a safe and healthy workplace for all employees. Reducing risks and improving the work environment. Significance is highest for employees and management and is an area where we have the ability to have a great impact.
Equality & Diversity in the workplace	Creating an inclusive culture and improving diversity through equal and fair labour practices, including non-discrimination, compensation and freedom of association. Significance is highest for employees and management and is an area where we have the ability to have a great impact.
Attract, retain and develop employees	Attracting people and being the best place to work by actively helping employees realize their full potential and by being a value-based company. Significance is highest for employees and management, and is an area where we have the ability to have a great impact.
Local community engagement	Building strong relationships with local communities. Supporting efforts to improve conditions and the attractiveness in communities where we operate. Significance to employees, management, and society. Impact through partnerships and our employees engagement.
Responsible marketing	Upholding sound principles for marketing and marketing activities. Avoiding stereotyping and marketing to children. Significance to consumers, customers and society.
Total carbon impact of entire value chain	Direct and indirect impacts including Land Use Change (LUC) on agricultural output, access to raw materials, logistics, local communities, people's health, as well as poses a financial burden on society. Significance to all stakeholders.
Biodiversity impact from key raw materials	Indirect impacts on biodiversity, positive or adverse, depending on agricultural practices which also affect socio-economic impacts on farm communities. Growing in significance to suppliers and other stakeholders. Impact through certifications and supplier partnerships.
Food waste	Reducing food waste from farms to consumers, includes storage, manufacturing, transportation, point of sales and end consumer. Indirect and direct impacts occur upstream, in our operations and among customers and consumers. Significance to multiple stakeholders.
Energy use	Total energy consumption and energy efficiency in manufacturing. Investments in energy efficiency. Use of renewable energy. Direct impacts in our own operations and is therefore an area where we can have a great impact.
Waste management	Generating and disposal management of both food and non-food waste in manufacturing and offices. Impacts in our operations, and is an area where we can have a great impact.
Transport & logistics	Shifting to more efficient and low-carbon solutions for in- and out bound transportation. Impacts occur in our operations and supply chain, and is an area where we can have a great impact.
Country of origin (traceability)	Growing in significance for customers and consumers to know the origin of key ingredients. Direct impact on our procurement and sourcing strategies.
Circular and renewable packaging	Food safety and longevity versus environmental impact during the life cycle of packaging materials. Impacts occur in our operations, supply chain and among consumers. It is an area of growing importance where we can have a great impact.

GRI Content Index

GRI 102: General Disclosures 2016

Disclosure	Scope, comment, and/or omissions	Page(s)
102-1 Name of the organisation		Front and back cover
102-2 Activities, brands, products and services		inside front cover, 8–11, 30–43
102-3 Location of headquarters		82, 102
102-4 Location of operations		44–50, 56–57, 62
102-5 Ownership and legal form		82
102-6 Markets served		35, 44-50
102-7 Scale of the organisation		Inside front cover, 16–17, 44, 51, 56, 62, 72, 99–100
102-8 Information on employees and other workers		60, 62, 157
102-9 Supply chain		25, 51–53, 58
102-10 Significant changes to the organisation and its supply chain	Helsingborg factory was closed during 2020.	51
102-11 Precautionary principle or approach		27
102-12 External initiatives		18, 21, 23
102-13 Membership of associations		168
Strategy		
102-14 Statement from senior decision-maker	CEO statement	2–3
Ethics and Integrity		
102-16 Values, principles, standards and norms of behaviour		59–61
Governance		
102-18 Governance structure		82–87, 156–158
Stakeholder Engagement		
102-40 List of stakeholder groups		156, 158
102-41 Collective bargaining agreements		60
102-42 Identifying and selecting stakeholders		156, 158
102-43 Approach to stakeholder engagement		156
102-44 Key topics and concerns raised		156, 158-159
Reporting practice		
102-45 Entities included in the consolidated financial statements		141
102-46 Defining report content and topic boundaries		14–18, 156–159
102-47 List of material topics		158–159
102-48 Restatements of information		23
102-49 Changes in reporting	Included scope 3, included more GRI indicators to align with 2020 disclosures.	157
102-50 Reporting period	January 1 2020-December 31 2020	
102-51 Date of most recent report	12 March 2020	157
102-52 Reporting cycle	Calendar year	
102-53 Contact point for questions regarding the report		157
102-54 Claims of reporting in accordance with the GRI Standards		157
102-55 GRI content index		160–162
102-56 External assurance		163

Performance indicators

	Disclosure	Scope, comment and/or omissions	Page(s)
Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		4, 9, 156–159
	103-2 The management approach and its components		82–87
	103-3 Evaluation of the management approach		8–13, 156–157
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed		17
Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		156–159
	103-2 The management approach and its components		60, 85, 90, 156–158
	103-3 Evaluation of the management approach	Adjustments included more awareness and training around anti-corruption.	90, 156
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption.	157
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		22–24, 159
	103-2 The management approach and its components		22–24, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 302: Energy 2016	302-1 Energy consumption within the organisation		23–24, 157
	302-3 Energy intensity		23
	302-4 Reduction of energy consumption	Specific savings on separate energy efficiency initiatives cannot be disclosed due to lack of such information.	5, 23, 25
Biodiversity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		22,25–26, 159
	103-2 The management approach and its components		20, 22, 25–26, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	Scope: Description of areas restored or protected, but omitting the specifics of size, species, etc.	22, 25–26, 79, 158
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		23–24, 159
	103-2 The management approach and its components		20, 22–24, 156–158
	103-3 Evaluation of the management approach		156
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Due to improved measurement processes, data for 2019 has been corrected to enable comparisons with 2020. Only CO_2 gases included in calculation, emission factors provided by suppliers.	5, 23–25, 157
	305-2 Energy indirect (Scope 2) GHG emissions	See comment for 305-1.	5, 23, 157
	305-3 Other indirect (Scope 3) GHG emissions	Data on Scope 3 emissions only includes logistics for 2020, provided by freight suppliers. Lack of information for other Scope 3 emissions.	23–24, 157
	305-5 Reduction of GHG emissions		23–24
Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		27, 53, 159
	103-2 The management approach and its components		27, 53, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts		27
	306-2 Management of significant waste-related impacts		27, 157
	306-3 Waste generated		5, 23–24, 27

	Disclosure	Scope, comment and/or omissions	Page(s)
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		22, 25–26, 159
	103-2 The management approach and its components		22, 25–26, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria		25
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		53, 60–61, 159
	103-2 The management approach and its components		53, 60–61, 86, 156–158
	103-3 Evaluation of the management approach		53, 86, 157
Own	Occupational injuries, lost days and absenteeism	Defined as LTIR: number of injuries causing at least 24 hours of absenteeism per million hours worked per year. Data refers to incidents and accidents at Cloetta's seven factories.	61
Child Labour			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		20–21, 25–26, 159
	103-2 The management approach and its components		20–21, 25–26, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour		25
Supplier Social Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		25–26, 159
	103-2 The management approach and its components		25–26, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria		25
Customer Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		156–159
	103-2The management approach and its components	Product development, certification, marketing, storage, use and recycling.	5, 19, 31–32, 156–158
	103-3 Evaluation of the management approach		77, 156–157
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories		15–17, 32
Marketing and Labelling			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary		17, 21, 159
	103-2 The management approach and its components		58, 156–158
	103-3 Evaluation of the management approach		156–157
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	Scope includes all markets regarding responsible marketing. Communicating country of origin is of growing importance. All products meet food safety requirements and we transparently communicate ingredients, and how to sort the packaging.	20–21, 32–33

<< Back to contents

Auditor's Limited Assurance Report on Cloetta's Sustainability Report and statement on the Statutory Sustainability Report

This is a translation of the original report in Swedish
To the annual general meeting of Cloetta AB (publ), corporate identity number 556308-8144

Introduction

We have been engaged by the Board and Group Management of Cloetta AB (publ) ("Cloetta") to undertake a limited assurance of Cloetta's Sustainability Report for the year 2020. The company has defined the scope of the sustainability report on the inside cover of the annual and sustainability report. The statutory sustainability report is defined on page 75.

Responsibilities of the Board and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 157 of the Sustainability Report and consists of the parts of the GRI Sustainability Reporting Standards which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Cloetta has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide a statement on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report and applying analytical and other limited assurance procedures. We have conducted our examination regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Cloetta AB (publ) according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement and an examination in accordance with RevR 12, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm 11 March 2021

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant

Karin Juslin
Expert Member of FAR

Definitions

General	All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.	
Margins	**Definition/calculation**	**Purpose**
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This metric enables the profitability to be compared across locations where corporate taxes differ.
Return	**Definition/calculation**	**Purpose**
Free cash flow	Sum of the cash flow from operating activities and cash flow from investments in property, plant and equipment and intangible assets.	The free cash flow is the cash flow available to all investors consisting of shareholders and lenders.
Free cash flow yield	Free cash flow over the last 12 months divided by the number of shares at the end of the period and subsequently divided by the market price per share at the end of the period.	This metric is an indicator of the return on investment of investors in the company.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed by period end of the comparative period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit from continuing operations for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure	**Definition/calculation**	**Purpose**
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the company.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, lease liabilities, derivative financial instruments and interest payable.	Gross debt represents the total debt obligation of the company irrespective of its maturity.
Net debt	Gross debt less cash and cash equivalents.	The net debt is used as an indication of the ability to pay off all debts if these became due simultaneously on the day of calculation, using only available cash and cash equivalents.
Net debt/EBITDA	Net debt at the end of the period divided by the adjusted EBITDA for the last 12 months, taking into consideration the annualisation of EBITDA for acquired or divested companies.	The net debt/EBITDA ratio approximates the company's ability to decrease its debt. It represents the number of years it would take to pay back debt if net debt and EBITDA were held constant, ignoring the impact from cash flows from interest, tax and capital expenditure.
Net debt/equity ratio	Net debt at the end of the period divided by equity at the end of the period.	The net debt/equity ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, the leverage takes into account net debt instead of gross debt.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.
Data per share	**Definition/calculation**	**Purpose**
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings irrespective of the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.

Other definitions	Definition/calculation	Purpose
EBITDA	Operating profit before depreciation and amortisation.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortisation.	Adjusted EBITDA increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This metric enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are those significant items which are separately disclosed by virtue of their size or incidence, in order to enable a full understanding of the Group's financial performance. These include items such as restructurings, impact from acquisitions or divestments.	Items affecting comparability increases the comparability of the Group's financial performance.
Net financial items	The total of exchange differences on cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit (EBIT)	Operating profit consists of comprehensive income before net financial items and income tax.	This metric enables the profitability to be compared across locations where corporate taxes differ, irrespective of the financing structure of the company.
Operating profit (EBIT), adjusted	Operating profit, adjusted for items affecting comparability.	Adjusted EBIT increases the comparability of EBIT.
Organic growth	Net sales, change excluding acquisition-driven growth and changes in exchanges rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison of net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

Glossary

Branded packaged products	Products that are mainly sold under brands and are packaged.
Brand extension	Totally new products developed under an established brand.
BRC Global Standards for Food Safety	A leading safety and quality certification program. Many European and global retailers will only consider business with suppliers that have been certified according to the BRC Global Standard.
Contract manufacturing	Manufacturing of external brands, i.e. insourcing production of products from external parties.
FVTPL	Fair Value Through Profit and Loss.
GRI Global Reporting Initiative	A network-based organisation whose founders include the UN. GRI has pioneered the development of a standard for the structure and content of sustainability reporting.
ICC	International Chamber of Commerce.
ILO	International Labour Organization, United Nations agency dealing with labour issues.
ISO 9001 and ISO 14001	International Organization for Standardization. ISO 9001 addresses quality management and ISO 140001 addresses environmental management.
Line extension	New packaging, sizes and flavours for an established brand.
Own brands (EMV)	Brands that retail trade customers sell under their own brands.
The Perfect Factory	The Perfect Factory is Cloetta's development program aimed at improving engagement, reliability and resource-efficiency within manufacturing.
Polyols	Sugar alcohols that resemble sugar and are used as sweeteners.
Pick & mix	Cloetta's range of candy and natural snacks that are picked by the consumers themselves.
Pick & mix concept	Cloetta's complete concept in pick & mix including products, displays and accompanying store and logistic services.
RSPO	Roundtable for sustainable palm oil, certification and standard for the palm oil we purchase, 100% segregated.
UTZ	Certified standards for sustainable farming with a number of social and environmental criteria, now merged with Rainforest Alliance.

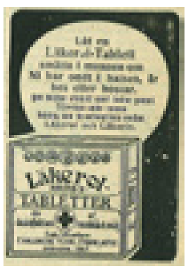
Cloetta's history filled with legendary brands

The Cloetta brothers

In 1862 the three Swiss Cloetta brothers, Bernard, Christoffer and Nutin Cloetta, founded the company "Brødrene Cloëtta" for manufacturing chocolate and confectionery in Copenhagen, Denmark. The brothers later moved their manufacturing to Sweden and the company was owned by the Cloetta family until 1917, when the Svenfelt family took over the majority shareholding in Cloetta via the newly formed Svenska Chokladfabriks AB. The Svenfelt family has major ownership interests in Cloetta to this day.

1800s

Cloetta's oldest brands date from the 1800s
Venco is launched in 1878 when Gerrit van Voornveld started manufacturing liquorice and peppermint pastilles in a steam factory in Amsterdam. Liquorice, peppermint and jujubes have long been known for their cough suppressing effects.



1900–1910

1900–1913, exploiting industrialisation
Electrification and railway construction accelerate the pace of industrialisation, a critical enabler for businesses like the Swedish companies Ahlgrens and Cloetta, which are active in industrial production of confectionery. Läkerol is launched in 1909 and Guldnougat in 1913. Läkerol is also launched in Denmark in 1910 and Norway in 1912.

1920

The roaring twenties
The confectionery industry grows after the war. The slogan "*Choose right - choose Cloetta*" is created in 1921. In the Netherlands, Lonka opens its first factory 1920 and the pastille brand King is launched in 1922. In 1928 Sisu is launched in Finland, Red Band in the Netherlands and Tarragona in Sweden.

1930–1940

The 1930–40s, launch of strong brands
Malaco (Malmö Lakrits Compani) is founded in 1934 during the period between the two world wars. Sportlunch (then called Mellanmål) is launched in 1937.

Kexchoklad is introduced in 1938 and Center in 1941.

Plopp is launched after WWII in 1949.

1950–1960

1950–60s, an interest in the USA and cars
The chewing gum Jenkki (Yankee) is launched in Finland in 1951.

Ahlgrens bilar – the world's best-selling car, is launched in 1953 with Italian Bugatti as its inspiration.

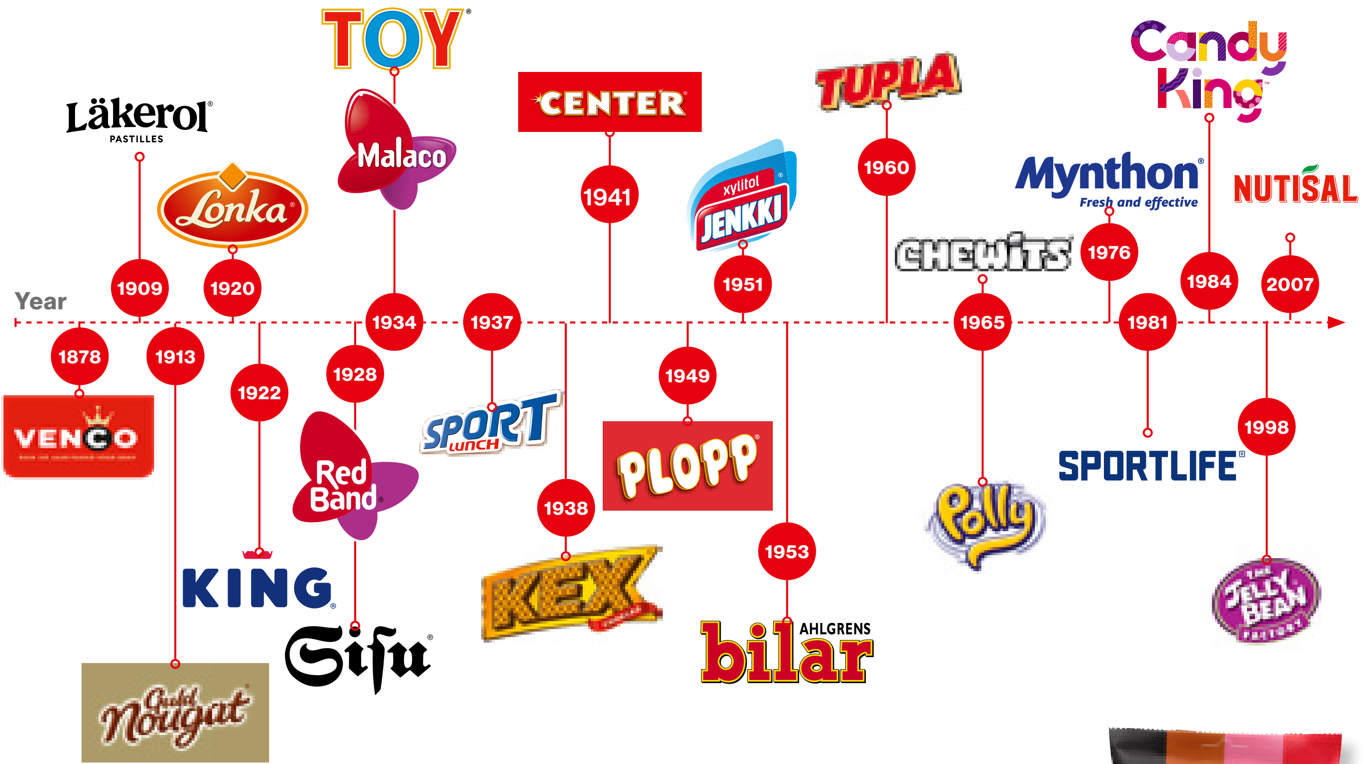
The double countline Tupla is launched in Finland in 1960.

In Sweden, Polly is launched in 1965 and Bridge-blandning in 1966.

Chewits are launched in the United Kingdom in 1965.

The first marshmallow Santas are also sold in the 1960s.

Strong brands with long traditions



1970–1980

1970-80s – fresh and healthy and a response to the growing pick & mix

In 1975, the world's first chewing gum with xylitol is launched by Jenkki in Finland. Sportlife is launched in the Netherlands in 1988. The Mynthon pastille is introduced in Finland in 1976.

In Sweden, the mixed candy bag Gott & Blandat is launched in response to the growing popularity of pick & mix.

1990s

1990s – consolidation of the industry

CSM, a Dutch sugar and food products company, acquires Red Band in 1986. Leaf acquires Ahlgrens (with Läkerol and Ahlgrens bilar) in 1993, CSM acquires Malaco in 1997, Cloetta acquires Candelia (with Polly and Bridge-blandning) in 1998 and CSM acquires Leaf in 1999. Cloetta's share is listed on the Stockholm Stock Exchange in 1994.

2000s

2000s – new groups formed

During the period from 2000 to 2009, Cloetta is part of the Cloetta Fazer group. After the de-merger in 2009, the independent Cloetta is relisted on NASDAQ OM Stockholm. In 2000 CSM acquires Continental Sweets and thereby strengthens its position primarily in France and Belgium, but also in the Netherlands and the UK. In 2001 CSM acquires Socalbe in Italy (with Dietorelle and Dietor). In 2005 CVC and Nordic Capital acquire CSM's confectionery division and change its name to Leaf.

2010s

2010s – Cloetta grows

Cloetta and Leaf are merged in 2012. In 2014 Cloetta acquires Nutisal, a leading Swedish company that roasts and sells dry roasted nuts. In the same year Cloetta acquires The Jelly Bean Factory with the main market in the UK. In 2015 Cloetta acquires Lonka, a Dutch company that produces and sells fudge, soft nougat and chocolate. In 2017, Cloetta acquires Candyking and becomes market leader in pick & mix. The Italian operations are divested.

2020

2020 – Giving consumers more choices and Covid-19

Cloetta continues to launch products to give consumers greater choice, with less-sugar/no-sugar, lactose-free and new package sizes. Covid-19 pandemic impacts several of Cloetta's sales channels in 2020 and changes consumer behaviors, resulting in lower sales and profitability.

Membership of organisations

Cloetta is a member of selected organisations to help contribute to better conditions for farmers and more sustainable raw material supply:

- GSA (Global Shea Alliance) works for a sustainable and competitive shea industry.
- RSPO (Round Table on Sustainable Palm Oil) works to increase the quantity of sustainably produced and consumed palm oil in the world.
- Rainforest Alliance /UTZ certification for sustainable farming and better opportunities for farmers, including education.

Cloetta is a member of the following sector organisations:

- Bord Bia (Irish food, drink and horticulture industries)
- Livsmedelsföretagen (The Swedish Food Federation)
- DLF Sweden, Grocery Suppliers of Sweden
- DI (Dansk Industri, Danish chocolate and confectionery industries)
- Danish Supplier Association (Mærkevareleverandørerne)
- ETL (Finnish food industries)
- Virke, The Federation of Norwegian Enterprise
- DLF Norway, Grocery Suppliers of Norway
- FNLI (Food industries of the Netherlands)
- VBZ (Bakery and confectionery industries of the Netherlands)
- Cloetta is participating in the UN's Global Compact.

WE SUPPORT

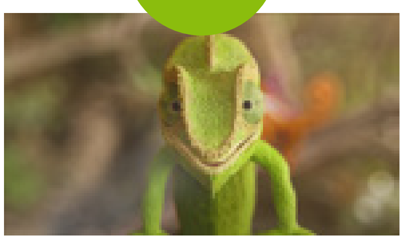
UN GLOBAL COMPACT

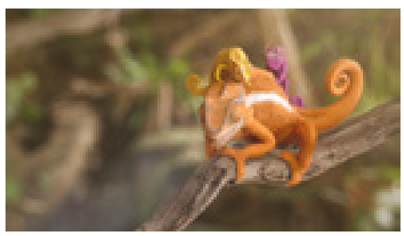
"by Cloetta" – new concept store in Malmö

Cloetta has a long history and a fantastic heritage of strong brands that brightens both our everyday life and weekends. To spread even more joy, the concept store **by Cloetta** was opened in the spring, located adjacent to Cloetta's office in central Malmö.

In the new store we want to give all candy lovers an experience out of the ordinary. The store offers Cloetta's regular range of both branded packaged products and pick & mix, but also unique gift boxes and joy size packages that cannot be purchased elsewhere. You also get the opportunity to get to know Cloetta as a company and to learn more about the history behind our brands and products. Furthermore, on the theme "by Cloetta" we pay attention to different seasons and occasions where you can enjoy our products.

IMPACTFUL CAMPAIGNS





Revival of the Chameleon TV ad for Red Band

In the second half of 2020 Red Band launched the 'Chameleon 2.0 campaign' to build emotional connections with our consumers focusing on the fun and playful side of the brand. Red Band's iconic Chameleon TV commercial created in 2000 was redesigned into a modern version. The ad features a father and son enjoying a day out together, having fun interacting with a Chameleon with the help of the colourful Red Band candy. The campaign was supported by online videos, social media and digital out-of-home screens near supermarkets. The TV commercial won the Ster Gouden Loeki award, for the 3rd quarter of 2020.

<< Back to contents

Shareholder information

Shareholder contact

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To order the annual report

The annual report is available in Swedish and English. The printed annual report can be ordered via the website. It can also be downloaded from www.cloetta.com.

Annual General Meeting

The Annual General Meeting of Cloetta AB (publ) will be held on Tuesday, 6 April 2021 as a postal voting procedure. There will be no physical attendence of shareholders, representatives or other persons. The Notice of the Annual General Meeting was published in March and is available on www.cloetta.com.

Financial calendar 2021

Annual General Meeting in Stockholm
6 April 2021

JAN 2021 | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN 2022 | FEB

Interim report Q1
23 April 2021

Interim report Q2
16 July 2021

Interim report Q3
29 October 2021

Interim report Q4
28 January 2022

MIX Paper from responsible sources FSC® C023277
3041 0001 TRYCKSAK
Production: Cloetta in collaboration with Addira • Photos: Joakim Folke, BSmart. • Printing: åtta45 • Translation: Lisa Cockette, Anything English

<< Back to contents

Cloetta, founded in 1862, is a leading confectionery company in Northern Europe. 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, CandyKing, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has seven production units in five countries. Cloetta's class B shares are traded on Nasdaq Stockholm.

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