Cloetta

Annual and Sustainability Report **2022**

For moments of joy

“A sweeter future

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

Strategies driving penetration

Cloetta is executing various strategies to accelerate brand growth and advance the consumer base. This includes exploit adjacent segments, attract younger consumers and maximise innovations.

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Strategic priorities

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

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New greenfield facility

In 2022, Cloetta took the decision to invest in a new greenfield facility in the Netherlands. The investment will enable significant cost savings, facilitate further growth and reduce greenhouse gas emissions.

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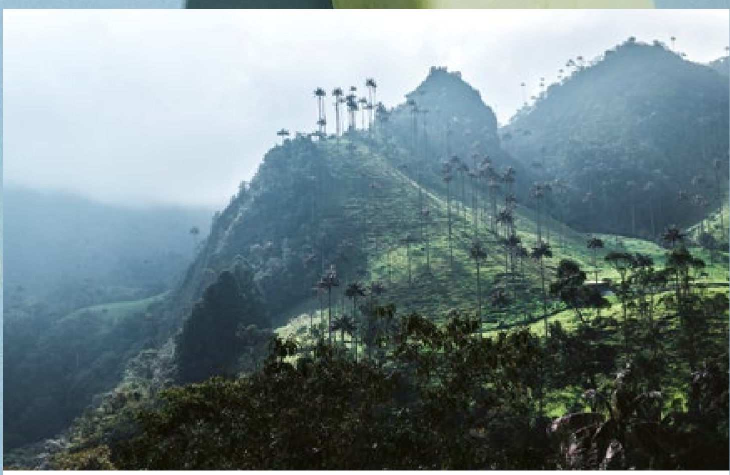

Climate journey

During 2022, we made progress towards our science-based targets through our company-wide Climate Action Programme. In this programme, different work-streams contribute to emission reduction activities and plans across all scopes. The ambition is to keep our footprint from contributing to a global increase in temperature beyond 1.5°C.

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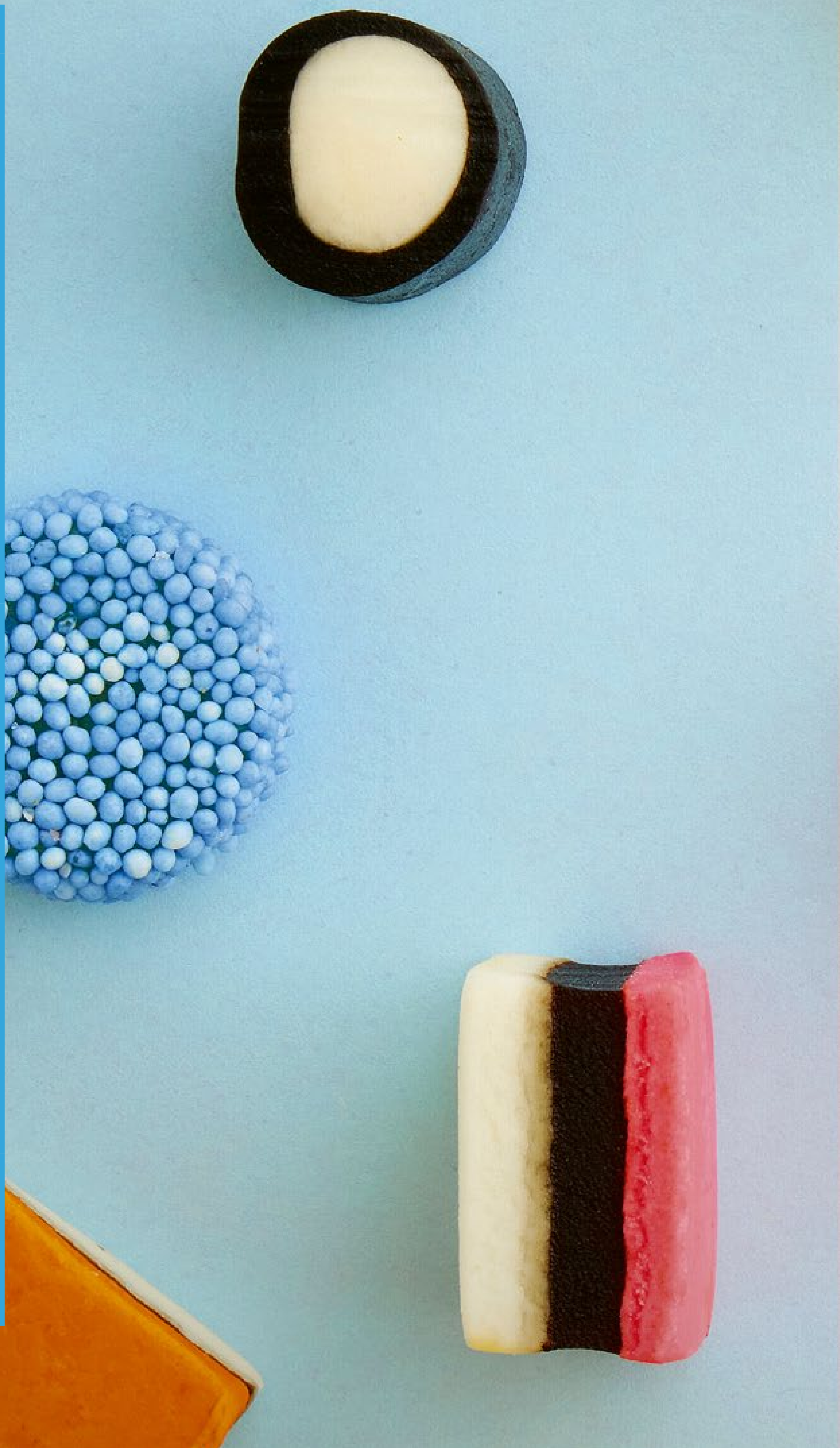
Contents

The audited Annual Report for Cloetta AB (publ) 556308-8144 consists of the administration report and the accompanying financial statements on pages 47–126. The Sustainability Report in accordance with GRI Standards is defined in the GRI Index on pages 147–149 and is limited assured by PwC. The definition of the statutory sustainability report can be found on page 53. While every care has been taken in the translation of this Annual and Sustainability Report, readers are reminded that the original Annual and Sustainability Report, signed by the Board of Directors or in European Single Electronic Format (ESEF), is in Swedish. The Annual and Sustainability Report in ESEF is published on www.cloetta.com.

About Cloetta



1862
Founded in

2,600
Employees

>50
Countries

7
Factories

SEK 6.9 bn
Net sales

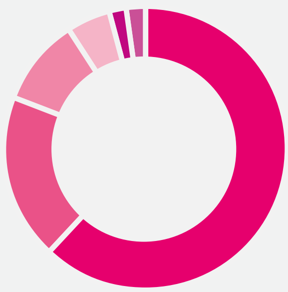
10.1%
Operating profit margin, adjusted

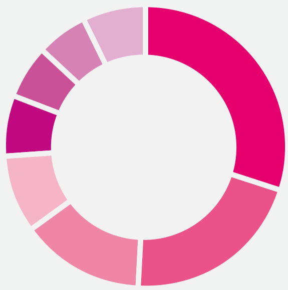
2
25%* Pick & mix
75%* Branded packaged products
Business segments

*) of net sales

“We believe in the Power of True Joy

Cloetta’s net sales





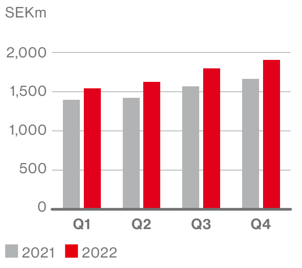
Cloetta, founded in 1862, is a leading confectionery company in Northern Europe. Our products are sold in more than 50 countries worldwide with Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK as the main markets. We own some of the strongest brands on the market, such as Läkerol,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

2022 in brief

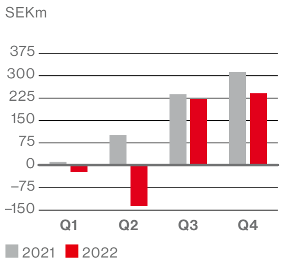
Key ratios

SEKm	2022	2021	2020	2019	2018
Net sales	6,869	6,046	5,695	6,493	6,218
Operating profit (EBIT), adjusted	691	571	495	743	677
Operating profit margin (EBIT margin), adjusted, %	10.1	9.4	8.7	11.4	10.9
Operating profit (EBIT)	466	565	442	727	660
Operating profit margin (EBIT margin), %	6.8	9.3	7.8	11.2	10.6
Profit before tax	343	558	383	648	562
Profit for the period	275	472	265	498	483
Earnings per share, basic, SEK	0.96	1.64	0.92	1.74	1.69
Earnings per share, diluted, SEK	0.96	1.64	0.92	1.74	1.68
Net debt/EBITDA, x	1.9	2.0	2.8	2.2	2.3
Free cash flow	305	664	366	538	444
Cash flow from operating activities	519	858	641	724	628

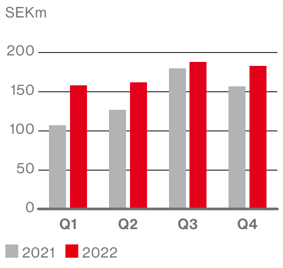
Net sales



Free cash flow



Operating profit, adjusted



Q1

- The Board proposes a dividend of SEK 1.00 (0.75) per share.
- Cloetta employees make private monetary donations to Ukraine, which Cloetta doubles through a matching contribution programme.
- New Net Revenue Management programme launched.

Q2

- Dividend of SEK 1.00 per share is approved by the AGM and paid out.
- Cloetta announces plans to invest in a new sustainable greenfield facility in the Netherlands to enable growth and accelerate margin expansion.
- Cloetta prolongs existing and signs new profitable Pick & mix contracts.

Q3

- Cloetta steps up commitment to climate action with approved science-based targets.
- Cloetta hosts a digital investor event.
- Cloetta receives an award for best Sustainability report 2021 alongside two other Mid Cap listed companies on Nasdaq Stockholm.

Q4

- The Board decides to proceed with the investment in a new greenfield facility in the Netherlands.
- Cloetta executes a Halloween campaign for CandyKing in collaboration with the Nordic video on-demand service SF Anytime.
- Cloetta repurchases own B-shares as part of its long-term incentive plan.

Words from the President

A year of strong sales and improved profitability

How would you summarise the year 2022?
Needless to say it was a turbulent year with major consequences from the war in Ukraine which led to a lot of focus on the supply chain, raw materials, energy and general cost inflation.

At the same time, our business progressed very well – under the circumstances – and we were able to deliver on our strategic agenda when it comes to cost control and pricing while retaining healthy volumes.

Our Branded packaged products continued on its growth path, now eight quarters in a row. This was thanks to great innovations and marketing support leading to stronger loyalty to Cloetta's core brands. I believe this loyalty is really a great strength not the least during times when pricing is and will be needed.

With a combination of pricing, cost control and volume growth we were also able to improve the profitability within the Pick & mix business while outperforming the market growth. The key to success here is to work closely together with our customers to make Pick & mix an important part of the store strategy and consumer experience. We believe we can contribute to the store of the future, meeting trends on individualisation and plastic free packaging, and improve the in-store experiences with even stronger visual merchandising.

What was the most important achievement during the year?
Well, I am proud that we early on saw the new tough economic environment coming and that we accordingly made our plans on pricing in time. We have also been very transparent with our customers regarding our pricing strategy, which is based on implementing price increases to balance the higher costs for raw material, packaging and energy prices in absolute terms. We have not tried to improve our own profitability at their expense and I believe this has led to the fact that our customers trust us.

Another priority I would like to mention is the work we have put in over the last four to five years to premiumise our brands, making them more clear, innovative and more supported. This year's results prove that our work was well worth it – stronger brands leads to higher value.

> **This year's results prove that our work was well worth it – stronger brands leads to higher value.**

Which important steps did you take within your sustainability agenda?
There is a huge enthusiasm within the group on the whole sustainability agenda and our clear action plan. An important step we took in this area was to put the strategic responsibility on these issues under the marketing department, taking the consumer angle into consideration in every decision we make. Another large step we took this year was the approval of our science-based targets, where we have identified areas where Cloetta can contribute the most to reduce our carbon emissions with 46 per cent by 2030. It is necessary to make progress and work closely with our customers, suppliers and other parties in order to reach our targets. In five to ten years there will be no room on the shelves for our products any more if we do not take action in this area.

What was the most important decision during the year?
Short-term I would say pricing, and long-term the new greenfield facility.

Cloetta has been on a journey for some time to make its production more efficient. To give some perspective, historically a lot of the smaller plants in Europe were closed or transferred to other factories in Ljungsbro or Levice. In the mid-European markets that process has not taken place yet, so there are still some benefits from creating scale in these markets. On top of that we have now seen many years of growth in our core candy business, and are starting to run out of our own capacity. One path to consider could be to turn to third party suppliers, but that is an expensive alternative and there is not a lot of capacity available in Europe.

We have evaluated various options, focusing on cost savings and extra capacity, and eventually found a strong rationale to build a new site in our core business region. In addition, with a new site we can make it sustainable in every aspect and with the latest technology. We have a long-term perspective and do realise this is a big investment for Cloetta – we will do our utmost to continuously choose the most attractive solutions along the way and inform the investor community on the progress and its effects.

What are your greatest challenges?
The economic environment in which we operate has yet again changed dramatically. We have to navigate in an environment with high inflation, high interest rates and lower disposable income among consumers – and it will be a big adaption for us to navigate through that.

But challenges will remain. There will

possibly be a recession, which means that we can not only look at pricing as a tool in a tough economy – but also cost savings and making our operations even more efficient. I would like to point out the defensive character of this business and good results from previous economic crises – people tend to keep on buying candy. Even though people might be cutting down on other areas, we will of course still be impacted, but we are fairly adaptable. It will be dependent on how strong your brand is – and the differentiation you are able to make. Brand is everything – strong brands with innovation and pricing power will be winners.

And your greatest opportunity?
Our basis is strong, and we will continue to execute on our strategy.

1. Growth in the Branded packaged product business by continuously improving our commercial strategy, we are certainly not at the end of that.

2. Pick & mix towards an EBIT margin of 5-7 per cent in the medium-term, carrying all allocated costs. The key drivers to reach that are more volume, premiumisation, the effect from full pricing and cost control.

3. Efficiency in our factories and cost control. The new greenfield facility will help us in this direction but we also work through our Perfect Factory programme in all the other plants.

There are still a lot of improvements to make within the existing business to reach our financial targets. We will of course focus on growing our high-margin pastilles and chewing gum categories and continue to grow our International Markets, that is showing fantastic growth. We have opportunities in Germany and the UK with a lot of consumers and where we are still quite small.

What is focus going forward?
Cloetta has a very strong position and there are still many ways to strengthen our business. We have been steering in a good way through 2022, and we will continue to do so.

We are still expecting a lot of inflation to come through, so balancing pricing and cost will still be the major theme during 2023. We will continue to adjust our commercial strategy to the economic environment and give the consumers value.

In short, we will keep on executing on our strategy: building stronger brands, deliver sustainable value in Pick & mix and bring our cost down and efficiency up. Although dark clouds in the sky – people tend to buy candy in all times. It is a relatively small amount of money you spend that gives you great moments of joy.

Stockholm, March 2023

Henri de Sauvage-Nolting
President and CEO

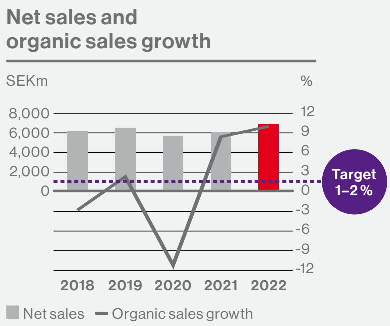
Targets

Long-term financial targets

Organic sales growth

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

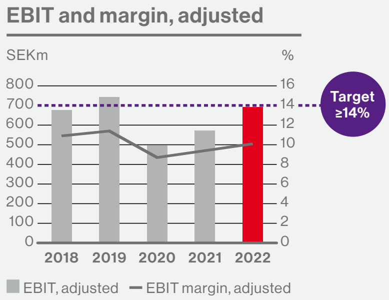
Comment on the year's outcome: Organic growth was 10.0 per cent. Sales of Branded packaged products increased organically by 6.8 per cent, driven by pricing enabled by the strengthening of our core brands and strong in-store execution. Sales of Pick & mix increased organically by 21.1 per cent driven by efforts to premiumise the offering, increased consumer activation as well as pricing.



EBIT margin

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

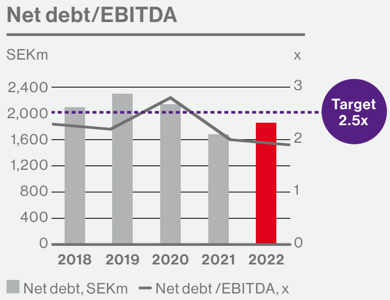
Comment on the year's outcome: The adjusted EBIT margin amounted to 10.1 (9.4) per cent. The increase was driven by strong pricing execution, positive mix and cost savings, partly offset by higher input cost.



Net debt

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

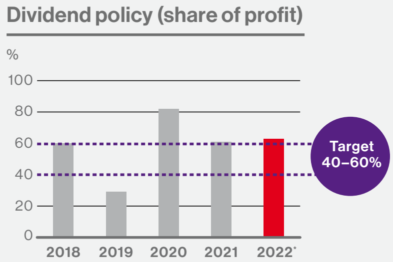
Comment on the year's outcome: In 2022, Cloetta delivered very strong cash flow, resulting in a net debt/EBITDA of 1.9x, well below the long-term target of 2.5x.



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 of Cloetta AB proposes to distribute a dividend to the shareholders of SEK 1.00 (1.00) per share for the 2022 financial year corresponding to 104 per cent (61) of profit for the year, equal to 63 per cent of the profit for the year excluding impact of the impairment and provisions and other items affecting comparability relating to the greenfield facility. The dividend proposal is in line with the Board's previously expressed ambition to continue to propose a stable dividend in line with 2021 and is supported by a healthy cash flow and strong balance sheet.



*Adjusted for items affecting comparability relating to the new greenfield facility.

Sustainability targets and ambitions

For You

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

Comment on the year's outcome: We reached approximately 90 per cent non-artificially colored and flavored candy and pastilles, and will continue to source non-artificial ingredients where possible. We remain on track with offering more vegan options and options with less or no sugar.

15% Non-sugar and less sugar products

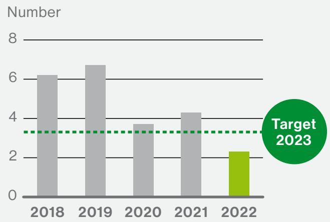
23% Vegan candy

For People

- Continue to work towards zero work-related accidents
- Cloetta engagement survey to be in line with the global benchmark by 2025
- All Cloetta markets running a purpose driven community engagement initiative by 2025
- Maintain existing partnerships and initiate a new collaboration to improve living conditions in our supply chain by 2025

Comment on the year's outcome: Team efforts toward safety awareness and a safe working environment contribute to outstanding results, reflected in our Lost time incident rate (LTIR) which surpasses our target. Targets set for 2025 were also formulated during 2022 to better implement our strategy in social sustainability.

Lost time incident rate (LTIR)

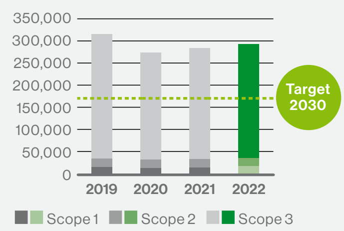


For the Planet

- 46 per cent absolute greenhouse gas emissions reduction by 2030 compared to 2019 base year emissions
- 100 per cent recyclable packaging by 2025
- 100 per cent packaging from renewable sources or recycled materials by 2030
- Engage all key suppliers to set their own emission reduction targets by 2025
- With palm oil-based vegetable oils continue to source 100 per cent RSPO certified segregated palm oil
- Maintain 100 per cent Rainforest Alliance certified cocoa

Comment on the year's outcome: Approved science-based targets and improved Cloetta Climate Action Programme. CO_2e reduced with 7 per cent compared to 2019 baseline. Maintained 90 per cent recyclable packaging depending on volumes. PlantPack accounting for approximately 3 per cent more of packaging compared to 2021.

GHG emissions*



*The data for GHG emissions has been presented in a new way compared to previous years and now is in alignment with our science-based targets..

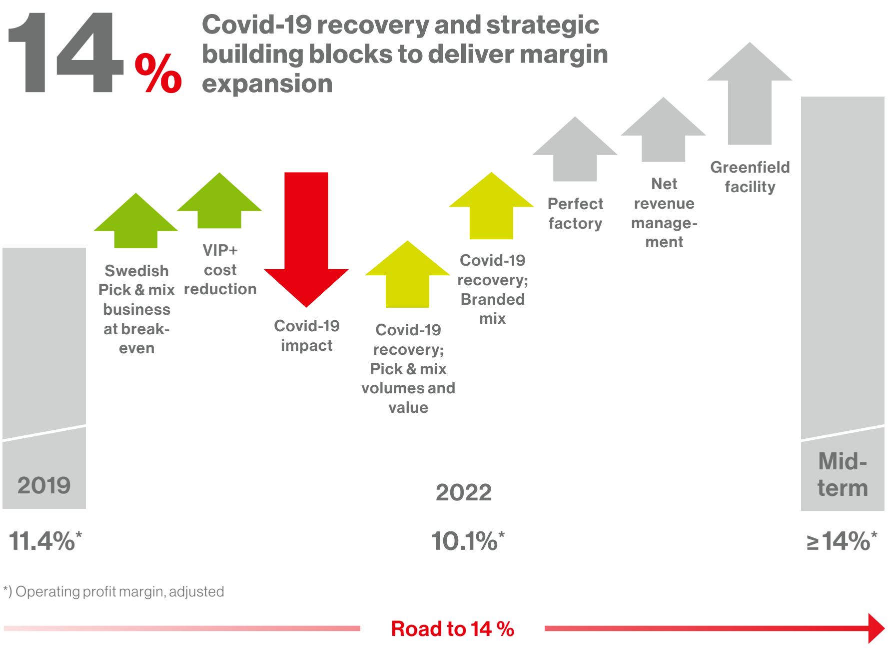
Strategic priorities

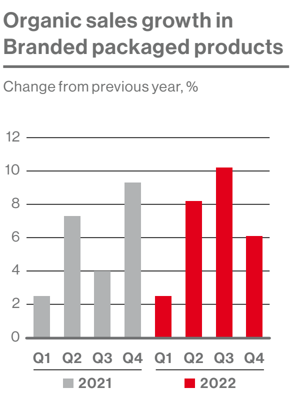
Cloetta is a proud provider of joyful moments – our brands and products bring fun and joy to memorable occasions. We are convinced that our consumer focus is the basis for Cloetta to grow and our brands to flourish. We will meet the future as a united organisation – One Cloetta – with a winning culture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

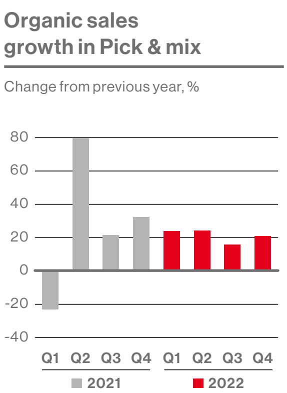
Cloetta aims to strengthen its position as the leading confectionery company in Northern Europe within the candy, chocolate, pastilles, chewing gum and nuts categories as well as in the Pick & mix segment. Our aim is to grow 1–2 per cent organically, which is in line with or better than the market, on our core markets as well as to deliver fast growing international sales through the expansion of selective brands. We will continuously develop new innovative offerings and strengthen the e-commerce focus. Furthermore, we aim to achieve an adjusted EBIT margin of at least 14 per cent, by recovering the impacts from Covid-19, including volumes and value within Pick & mix as well as profitable growth and product mix within Branded packaged products. In addition, we will continue to drive cost savings and efficiency activities throughout the entire value chain, including through the investment in a new greenfield facility.

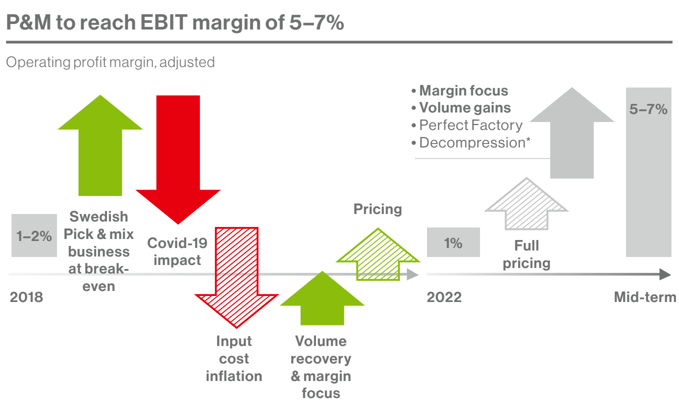
Cloetta's strengths

- 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.





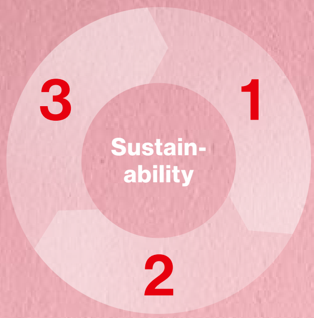




*) Refers to the positive effect on margins that will arise when input costs stabalise or decrease.

Strategic priorities

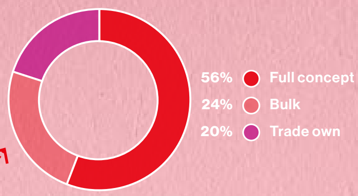
Lower costs and greater efficiency



Growth leadership in Branded packaged products

Sustainable value within the Pick & mix business

Three business models within Pick & mix



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

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

Trade own Similar to the full concept but products are sold under the retailer's own private brands

1 Growth leadership in Branded packaged products

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

Achievements 2022

In 2022, Branded packaged products continued its growth path – delivering eight quarters of sequential growth by year-end. This was achieved mainly through successful marketing and strong innovation initiatives that enabled solid pricing execution in an inflationary environment. We also continued to focus on recovering sales of high-margin products such as chewing gum and pastilles, with improvements seen towards the end of the year. During the year, we continued to invest in our core brands, new products and flavours, which allow Cloetta's brands to valorise by delivering higher value to the consumer and the retail trade. Stand-out results from our innovations include the launch of Tupla Crispy Puffs in Finland as well as Ahlgrens bilar Gröna bilar, the first product in our assortment with the CO_2 footprint on the pack. We also expanded our food tech innovations by launching our fruit-based candy into new markets, in new variants and under new brands.

2 Sustainable value within the Pick & mix business

Pick & mix is an important consumer market as it goes hand in hand with underlying consumer trends such as individualism and sustainable packaging. The segment is also of importance for our customers as it increases in-store traffic and impacts our ability to sell other categories. From its strong market position Cloetta has good opportunities to develop the category and thereby drive profitability and growth, with the ambition to reach an EBIT margin in the range of 5–7 per cent in the medium-term.

Achievements 2022

Our actions taken within the Pick & mix segment is starting to show results, with seven consecutive quarters of profitable volume growth. Important events during the year include the relaunch of the Parrots concept in Sweden with a new visual expression. In Finland, the differentiated premium offer, "CandyKing – The premium mix" was rolled-out on a broader scale, with very positive reception from customers and consumers. Furthermore, our e-commerce pilot for Pick & mix in Denmark, Slikekspressen, recorded strong growth. We also secured the extension of contracts in several of our markets, proving the attractiveness of our CandyKing concept to the retailers also after significant price increases. We will continue to focus on creating sustainable value within the segment, through a combination of pricing, continued margin-enhancing initiatives and volume.

3 Lower costs and greater efficiency

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

Achievements 2022

Our efficiency programmes continued according to plan during the year, with the VIP+ cost programme still protecting the 1 per cent EBIT margin the programme previously delivered. We also launched our new Net Revenue Management programme in our largest markets, to bring the same efficiency focus to pricing and trade spend as we have on cost.

During the year we made progress on our Perfect Factory programme and also took the decision to invest in a new greenfield facility in the Netherlands. The investment will enable significant cost savings, facilitate further growth and reduce greenhouse gas emissions. You can read more about the investment on page 12.

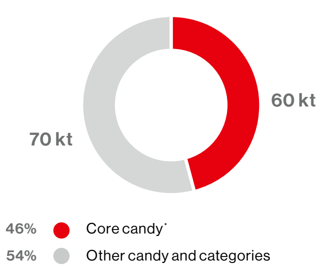
New greenfield facility

In 2022, Cloetta took the decision to invest in a new greenfield facility in the Netherlands and consequently to close the three current confectionery factories in Turnhout, Belgium, and Roosendaal, the Netherlands. The investment will enable significant cost savings, facilitate further growth and reduce greenhouse gas emissions.

Cloetta's foundation: core candy brands
The foundation of our business is the core candy brands, including wine gums, mixed bags and foam products with above average growth rates and margins, constituting about 46 per cent of Cloetta's total sales volumes. Following market-beating volume growth for several years, the in-house capacity utilisation for core candy is constrained. With the market expected to accelerate, and the Cloetta demand forecasted to increase by another 12,000 tonnes by 2032, there is a clear need for extra production capacity of core candy.

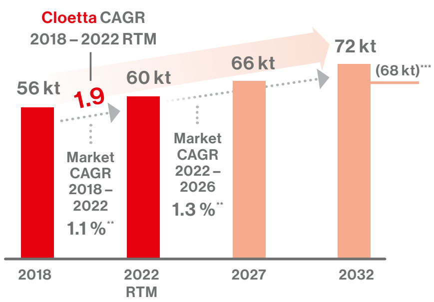
Cloetta sales volumes, %

ktonnes, %



Core candy historical and expected future growth

ktonnes



*) Core candy includes; wine gums, mixed bags, foam.
**) Source: GlobalData. Sugar Confectionery; DK, FI, GE, NL, NO, SE; UK weighted volume.
***) Assumes growth in line with the market.

Alternatives evaluated
Cloetta has evaluated a wide range of alternatives for a sustainable manufacturing that meets the future demand against the following criteria: savings, growth, sustainability, risk and capex. Alternatives explored include upgrading current facilities, acquisition of a manufacturer, co-manufacturing, divesture of the existing business and investing in a greenfield facility in a low-cost market. The conclusion is that investing in a new greenfield facility in the Netherlands and closing three existing plants is the most attractive alternative, meeting all important criteria for Cloetta's future development.

Financials

In connection to an investor event in Stockholm on September 27 2022, Cloetta shared the following expectations. The investment is expected to generate a total annual EBIT delivery of SEK 220- 260m, including quantified insourcing and enabled growth:

- SEK 160-180m through savings and initial growth of ~3,000 tonnes by 2026
- SEK 20m through identified insourcing of ~3,500 tonnes by 2026
- SEK 40-60m through continued growth of ~6,000 tonnes by 2032

The savings will be enabled by a more efficient layout and higher automation, which allows for headcount reduction. Furthermore, the consolidation of three manufacturing sites into one reduces the number of management teams and indirect components. Savings will also be derived from reduced waste and energy consumption in the new greenfield facility. Current inflation levels would increase the savings and has not been included in the estimates.

The net increase in capex to create a new network is estimated at SEK 1.9bn during 2023–2032 compared to historical levels, as the greenfield investment of SEK 2.5bn will result in avoided capex of SEK 0.6bn. Financing through new credit facilities, totaling EUR 160m, has been arranged for by Cloetta's existing banking group at competitive rates that are marginally higher than on existing facilities.

Key facts

- Focus on core candy: wine gums, mixed bags, foam
- Planned facility size: ~ 45,000 m^2 over 2 levels

– Enables 15,000 tonnes extra capacity
– Highly automated
– Net decrease of ~150 FTEs
– 4 process lines
– New and upgraded packaging lines
– New kitchen, utilities and cleaning system
– R&D capabilities
– Space for future expansion

The market

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

The confectionery market

The total market for confectionery in Cloetta's main markets amounts to approximately SEK 285 bn (271).

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. Due to high cost inflation, the prices of confectionery categories in 2022 increased by 6-10% in our main markets. Private labels still account for a relatively small share of confectionery compared to other grocery products.

Consumption patterns

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

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

Competitive market

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

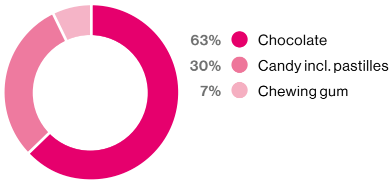
Pick & mix

The pick & mix segment has a very strong position in the Nordic countries and accounts for a large share of the total confectionery 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. Due to the Covid-19 pandemic, pick & mix has lost market shares, however, is back to growth in 2022.

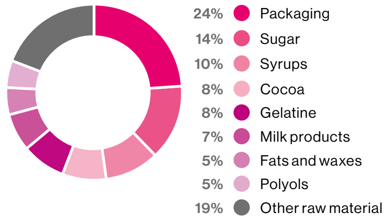
The nut market

Cloetta is also active in the nut market via the brands Nutisal in packed business and Parrots in pick & mix. The total nut market in the Nordic region is worth around SEK 5 bn, and the private labels of the retail trade account for approximately one third of the total market in value and 40 per cent in volume. In Cloetta's main markets, the nut market is experiencing annual growth of 1–2 per cent in volume. However, in the past

The confectionery market

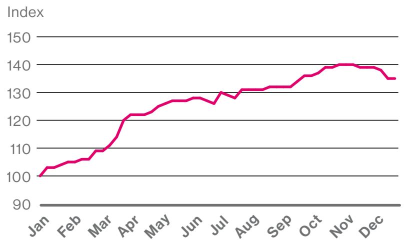


Breakdown of raw materials and packaging costs, %



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

Index of key commodities used by Cloetta



Source: Mintec, EUWID, Kingsman.

Raw material prices increased significantly in 2022.

few years the growth has been around 4 per cent a year in value due to price increases and a shift to the premium product category.

Raw material and packaging

The prices of Cloetta's most important raw materials are set on the European commodities exchange, either directly, as is the case for cocoa, or indirectly such as with glucose syrup, the price of which is influenced by the price of wheat and barley. This means that our purchasing costs for these items are dependent on market pricing. Cloetta has a central purchasing department that can carry out more effective purchasing, both by consolidating and by using local purchasing opportunities. As a rule, the central purchasing department pre-purchases the most important raw materials so that raw materials are available for the equivalent of six to nine months of production. This also creates predictability in prices and financial outcomes since price changes affect our purchasing costs with a certain delay. In this way, we usually avoid temporary price swings in the commodities market. Furthermore, in a high inflationary environment, Cloetta's strategy is to protect its profitability by compensating for all input costs in absolute terms, also including packaging, freight and energy costs, through price increases towards its customers as well as cost savings and reducing overall energy consumption.

Cloetta's sales channels

Grocery retail trade

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

Development

The grocery retail trade has undergone extensive consolidation and restructuring over the past ten years, with increasingly fewer and larger stores. Concentration in the grocery trade is high in the majority of European markets, which means that the channel can place high demands on its suppliers.

Service trade

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

Development

Over the past decade, confectionery sales to the service trade have decreased, primarily due to the presence of fewer filling stations, but also because the service trade has developed its own snack alternatives that compete with confectionery. Service trade faced a big hit due to the pandemic and the related restrictions and decrease in people mobility, however it has gradually been moving back to normal levels during 2022.

E-commerce

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

Development

Over the last decade, FMCG e-commerce in Europe has experienced strong growth further fuelled by the pandemic. Key accelerators are technology-based solutions such as mobile shopping and quick payment methods. In recent years, fast delivery retailers have established a new way of shopping, quick commerce, with home delivery of groceries in less than 30 minutes.

Other channels

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

Development

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

Consumer trends and behaviors

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

Greater individualisation

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

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

Responsibility for the environment and human rights

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

Cloetta's response
During 2022, Cloetta continued driving several programmes within these areas that aim to make a real impact in the world. In partnership with the Rainforest Alliance, we contribute to The Living Income Fund that bridges the living income gap by making extra payments directly to cocoa farmers. Science Based Targets initiative (SBTi) approved Cloetta's targets to reduce direct and indirect carbon emissions by 46 per cent by 2030 compared to the base year of 2019. As an example of our commitment, we also calculated the climate footprint for a selection of our products, involving the first steps of more data collection and engagement with our suppliers.

Health

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

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

E-commerce and digital channels increasingly important

E-commerce is in general growing across all sectors, including the grocery retail trade, and growth has been fuelled further by the Covid-19 pandemic. Despite turbulent times in 2022, grocery e-commerce is midterm expected to grow to a significant size in several key markets. Online sales in confectionery are still lower than for other consumer product categories but have more than doubled in Cloetta's core markets compared to before the pandemic.

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

Superior sensory experiences

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

Cloetta's response
With our strong brands acting as a trustworthy ambassador for novel taste sensations, 2022 brought exciting taste experiences to consumers. For example, in 2021 Venco Choco D'rop launched in the Netherlands, with the product offering a great mix of real Dutch liquorice and exclusive chocolate. In 2022 the assortment doubled, moving from five to ten different flavour combinations. Another example is Finland's most popular chocolate bar Tupla expanding into Tupla Crispy Puffs bag that contains crispy and crunchy wheat puffs with the same cocoa nougat found in the original Tupla bars.

Local, genuine and transparent brands

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

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

Understand and excite the consumer

Consumer centricity is our long-term passion and commitment to satisfy consumer needs. Consumer and market insights are a key source of input for our product development, marketing and branding. It is important to understand all parts of the consumer journey in order to provide brands and products that are liked, purchased and consumed. Our strategic efforts are centered around the following three key areas.

The consumer in the spotlight

Cloetta continuously monitors market trends to gain valuable information to feed into the development of new ideas and concepts, see pages 16–17. Cloetta tests different hypotheses, concepts and prototypes to ensure our offerings resonate well with consumers, and that there is a good fit with Cloetta's brands.

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

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

> **We focus on accelerating marketing return on investment with increased emphasis on the largest brands of the brand portfolio.**

Strategic product development

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

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

Brand and category leadership

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

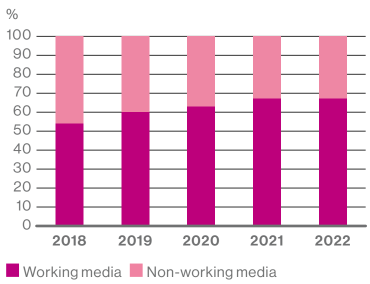
We focus on accelerating marketing return on investment with increased emphasis on the largest brands of the brand portfolio. Cloetta's ten largest brands account for more than half of the Group's sales. For each brand there is an individual development plan aimed at continuously developing and strengthening the brand.

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

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

Over the last years, efficiency gains have enabled us to increase the share of marketing that is visible to the consumers, reaching close to 70 per cent in 2022 helping us to invest competitively.

Share of working media vs. non-working media



"Finally, the weekend

Strategies driving penetration

Cloetta is executing various strategies to accelerate brand growth and advance the consumer base. The following three cases are examples of how we successfully grow consumer penetration and consecutively grow our brands.

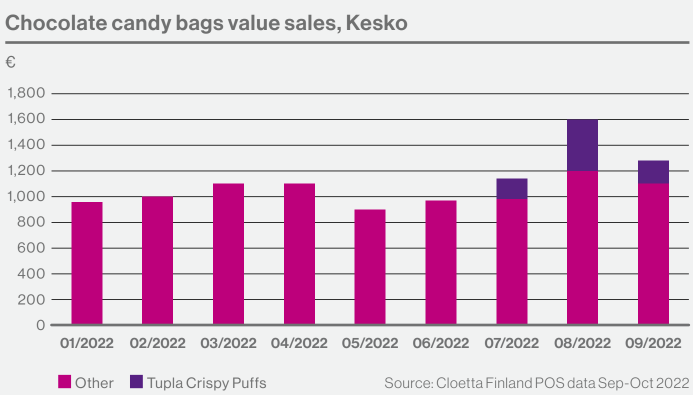
Exploit adjacent segments – Tupla Crispy Puffs

The launch of Tupla Crispy Puffs in Finland during 2022 is an example of how an iconic chocolate bar brand was able to expand into a new adjacent chocolate bag segment – growing total sales.

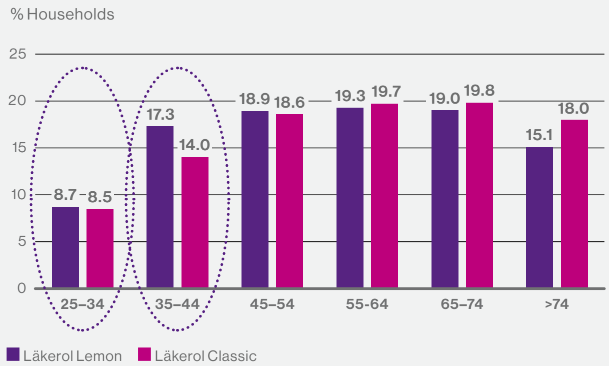
During the initial launch period the following was seen for the Tupla brand:

- Household penetration grew with over 50 per cent
- The repurchase rate exceeded targets

Tupla Crispy Puffs increased the chocolate bag market segment at Kesko, one of Cloetta's customers in Finland. At the same time a new consumer range was added to the brand.



Division of Läkerol Lemon and Läkerol Classic per household



Source: ICA Selfserve data, w 7-45, 2022, % Households vs Age Group

Attract younger consumers – Läkerol Lemon

Läkerol Lemon is a new taste of Läkerol that was introduced during 2022, with the aim to reach younger consumers that prefer fruity flavors.

Since the launch of Läkerol Lemon flavor, the Läkerol Classic showed an overall growth of 10 per cent in Sweden. 80 per cent of this sales increase was driven by the new launch of Läkerol Lemon. Furthermore, shopper data shows that the largest growth rates were seen among the younger target groups.

Läkerol Lemon helped increasing the Läkerol Classic incremental sales while at the same time recruiting the younger target groups up to 44 years.

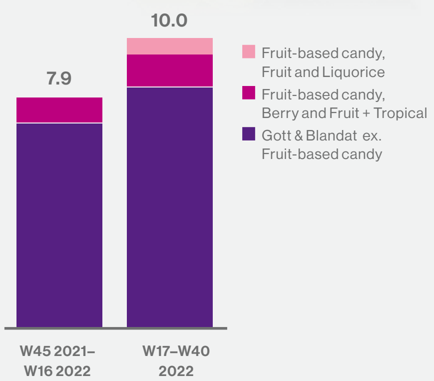
Source: Nielsen, P2 to P11 22, DVH+SVH+LPH, VS%, Total Pastilles and ICA Selfserve data, w 7–45, 2022, % Households vs Age Group.

Maximise innovations – Fruit-based candy

Fruit-based candy was developed to meet strong consumer demand for more natural ingredients in confectionery. Our first products were launched in Sweden and Finland in 2021. Using the learnings and insights following the introduction, Cloetta developed an innovation roadmap to attract more consumers and fuel the growth of the range. In 2022 a new variant which combines fruit and liquorice was successfully launched. The fruit-based candy range is sold in all Nordic markets and in the Netherlands under our local brands Gott & Blandat/Godt & Blandet, Aakkoset and Red Band.

The fruit-based candy range has helped to recruit new consumers to our brands and doing so, increased market share of the brand.

Market share value, Sweden, %



Source: Nielsen, Sweden, Sugar confectionery, DVH+SVH.

Sustain-ability

Our agenda "A Sweeter Future" focuses on creating joy and long-lasting value For You, For People and For the Planet. During 2022, progress flavored each area in a different way, including setting concrete targets for our sustainability initiatives, establishing means of reporting on the KPIs, developing our vegan strategy, enriching the social impacts in our supply chain through our partnerships, and activating teams across the organisation to work towards our science-based targets.

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

Our Agenda

A Sweeter Future reflects the most important topics where Cloetta impacts the economy, environment, and society. The importance of our topics is determined by the degree of impact caused by our activities throughout the value chain and how much the issues impacts our business strategy.

For You

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

Approach:
Our consumers are at the center of our business and their needs drive our product innovation. All this while ensuring safe, high quality, transparently labeled and trusted products.

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

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For People

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

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

Targets and ambitions:
- Continue to work towards zero work-related accidents
- Cloetta Engagement survey to be in line with the global benchmark by 2025
- All Cloetta markets running a purpose driven community engagement initiative by 2025
- Maintain existing partnerships and initiate a new collaboration to improve living conditions in our supply chain by 2025

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For the Planet

A healthy planet is the source of all our ingredients – and securing true joy for the future. We make sure to use resources efficiently, lower our climate impact and work towards our science-based target.

Approach:
Climate Action, Sustainable Sourcing, and Less and Better Packaging are our three main priorities in improving our footprint. Within these, we work towards improving the environmental performance of our suppliers, assessing topics like biodiversity, energy usage, waste, and emissions in our own operations but also in our supply chain.

Targets and ambitions:
- 46 per cent absolute greenhouse gas emissions reduction by 2030 compared to 2019 base year emissions
- 100 per cent recyclable packaging by 2025
- 100 per cent packaging from renewable sources or recycled materials by 2030
- Engage all key suppliers to set their own emission reduction targets by 2025
- With palm oil-based vegetable oils, we will continue to source 100 per cent RSPO segregated certified palm oil
- Maintain 100 per cent Rainforest Alliance certified cocoa

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For You

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

Trusted quality

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

Listening to consumer trends

Consumers are voicing needs for more natural raw materials with their health in mind. Cloetta's discovery platforms and innovation teams work to find ways to provide options that meet these changing tastes while still staying true to our product offering.

How we meet them

Innovating for the future is a key success factor in order for Cloetta to stay in tune with consumers' changing demands. By providing options to the classic favorites, we see an increasing interest in vegan options, for example with Kexchoklad Vegan and Gott & Blandat. We develop lower-sugar or sugar-free alternatives for our major brands. Options that support health can be found in the nut portfolio as well as in the xylitol offering - all to ensure that consumers can enjoy Cloetta while having a healthy and active lifestyle. Cloetta has prioritised increasing the proportion of natural ingredients in our products. As we take product quality seriously at Cloetta, we only replace artificial ingredients with non-artificial colors and flavors when we are convinced that we can satisfy consumers and maintain the highest quality. For some flavors and colors, we have not found a suitable replacement that meets our demands. We will continue to source non-artificial colors and flavors when possible.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG commitment

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

Progress towards targets during 2022

- Introduced more vegan options, now amounts to 23 per cent of our candy portfolio
- Nearly 90 per cent non-artificial colors and flavors in our candy and pastilles
- Launched fruit-based candy variants, which contains 50 per cent fruit and licorice

Risks

- Brand-related risks resulting in decreased sales
- Consumer dietary preferences changing, allergic reactions
- Gaps between research findings and consumer perceptions
- Political decisions such as sugar taxes
- Supply chain challenges limiting access to raw materials

Lakerol YUP: Love all flavours

Because joy looks different for our consumers in many different moments, we want to offer our consumers more options, including sugar-free and vegan treats. YUP pastilles offers a sweet moment for any day of the week with 100% natural colors and flavours, vegan, and sugar-free ingredients. YUP's limited edition, Love all flavours, partnered with RFSL Ungdom to support and contribute to their work toward the vision: "a world filled with love and respect where all HBTQIA youths are, live and express themselves how they themselves want."

For People

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

Employees

Our employees are essential to making any of our goals a reality. Initiatives involving our employees address areas that we consider essential for a meaningful, creative and joyful work environment. Priorities include competence development, equal pay, non-discrimination, parental leave as well as mental health advice and well-being initiatives. The programmes are in place within our HR organisation. We measure our employee engagement through a survey, this year with a response rate of 81 per cent. Our results compared to the Leadership and Engagement Indices have improved since last year, but we still do not meet the benchmark within all functions. We see a very strong link between great leadership and high engagement. Therefore, we continue to develop leadership trainings such as the Cloetta Leadership Academy.

Values

Cloetta's values help us – as a diversified pool of people with different skills, experiences, aspirations and different personal values steer the company in the same direction. Our four values are Focus, Passion, Teamplay and Pride.

Health and safety

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

SDG commitment

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

Progress towards targets during 2022

- Continued our health and safety culture journey focusing on structural risk reduction and increased awareness
- In 2022 more than 230 managers participated in different leadership trainings
- Maintained existing partnerships empowering women sourcing shea and enabling living income for cocoa farmers
- Updated our Responsible Marketing guidelines & set targets to address our community involvement

Risks

- Workplace incidents
- Breaches of human and labor rights in our supply chain
- Non-conformities to responsible marketing practices
- Employee turnover, loss of talent

The outcome of 2022 shows that the health and safety strategy and roadmap supports the culture journey towards zero incidents and a preventative state.

Lost time accidents (LTA) have decreased by 45 per cent compared to the 2021 result. The number of LTAs in 2022 was 6, compared to 11 in 2021. The lost time incident rate (LTIR) has decreased by 47 per cent compared to the 2021 result. The rate for 2022 was 2.3, compared to 4.3 in 2021.

At Cloetta, we have a health and safety management system that covers all Cloetta factories and offices. All our employees, temporary personnel, consultants and visitors are part of our health and safety management system where the core is to identify hazards and risks and report all type of incidents. Risk assessments are conducted for every part of operations on an annual basis and in conjunction with changes (e.g., moving premises, new tools, changes to working methods or prior to hiring a contractor). Preventative actions are based on risk level and are prioritised, implemented, and followed up by the responsible function in collaboration with safety representatives and the HSE function.

Investigation of incidents are managed by our HSE alert process that supports us in finding the root cause and take appropriate actions. Base for our health and safety work is competence and awareness that are in line with legislation and general awareness. Competence development takes place through training and deployment of ways of working including responsibilities. To strengthen our health and safety awareness and behaviour we have improved our safety awareness methodology concept, Hearts and Minds, during 2022. The Hearts and Minds concept contributes to strenghten the Cloetta safety culture. Company health care services are available in each country to support in medical treatment and preventative measures, e.g., health examinations.

Number of employees by category and country as per 31 December 2022*

	Number of employees		Number of permanent employees		Number of temporary employees	
	Women	Men	Women	Men	Women	Men
Sweden	371	315	339	296	32	19
Slovakia	456	286	416	252	40	34
The Netherlands	193	340	160	288	33	52
Finland	269	45	183	34	86	11
The UK	184	47	184	44	0	3
Belgium	28	95	24	88	4	7
Denmark	83	47	79	45	4	2
Ireland	26	38	19	27	7	11
Norway	15	13	14	13	1	0
Germany	8	4	7	4	1	0
Italy	1	2	1	2	0	0
Others	3	4	3	4	0	0
Total Cloetta	**1,637**	**1,236**	**1,429**	**1,097**	**208**	**139**

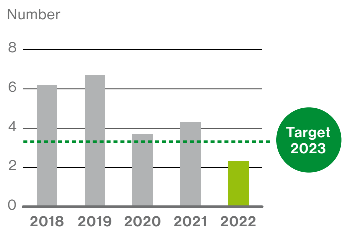
*Headcount used as data compilation methodology for employees and for workers that are not employees. See note 6 for average number of employees per country.

Number of employees*

The number of employees as per 31 December 2022 was 2,873. Of these employees, 68 per cent are covered by collective labor agreements. In countries where we do not have a collective agreement, we follow the labor market requirements. 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. Approximately 3 per cent of the temporary staff were agency workers, consultants or contractors in areas such as IT, finance, engineering or as contractors in our factories.

Lost time incident rate (LTIR)

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



Society engagement

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

Our partnerships with NGOs and suppliers help us reach the people growing the raw materials. During 2022, we prioritised efforts where we can influence real change together via our partnerships: enabling living income for cocoa farmers and empowering women who are harvesting shea in West Africa.

Community involvement: Smil fund

Community involvement builds on Cloetta's legacy of positively impacting our surrounding environment. One example of this is our partnership with the SMILfonden (the Smile foundation). Their aim is to increase the quality of life for children with serious chronic diseases by offering them and their families a community and opportunities to find joy together in moments that offer a break from their challenging conditions. They host social activities in hospitals, summer camps, networking trips and counseling, among other activities.

Cloetta Denmark has supported the SMILfonden since its beginning in 2014, as the first contributor and sponsor. We continue to sponsor many of the above-mentioned events both by donating products, volunteering and with financial support. Our company values come to life through this collaboration that brings true joy.

For the Planet

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

Cloetta leads the way to A Sweeter Future for our planet with various initiatives, ranging from improving sourcing to decreasing packaging. To verify that our climate actions are effective, we are committed and have approved targets by the Science Based Targets initiative, and we developed our Climate Action Programme to reach these targets by 2030.

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

SDG commitment

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

Progress towards targets during 2022

- Approved science-based targets and developed Climate Action Programme
- Maintained 100 per cent Rainforest Alliance certification and RSPO Segregated Certified palm oil
- Maintained 90 per cent recyclable packaging
- PlantPack accounting for approximately 3 per cent more of packaging compared to 2021

Risks

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

Climate action

During 2022, our science-based targets were approved by the Science Based Target initiative, and we further developed our company-wide Climate Action Programme to achieve our target of reducing our absolute scopes 1, 2 & 3 emissions by 46 per cent by 2030, with 2019 as our baseline-year.

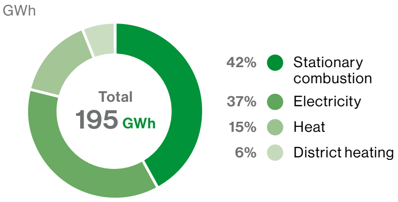
Our target spans beyond our own operations (scopes 1 and 2). Being a food company, approximately 88 per cent of our total carbon footprint comes from emissions from raw materials, packaging, transportation, and services we purchase (scope 3). This calls for collective action, as well as innovative ideas and collaborations beyond our operations. Total emissions (scope 1, 2 and 3) increased with 3 per cent during 2022 driven by increased volumes and transition from heat to natural gas. The total emissions have decreased with approximately 7 per cent compared to 2019 (base-year). In 2022, total emissions amounted to 292,466 tCO_2e compared to 315,169 tCO_2e in 2019.

Scopes 1 and 2

Scope 1 emissions from stationary combustion and refrigerants increased by 30 per cent, while indirect emissions (scope 2) from the use of electricity and district heating decreased by 10 per cent. The KPI for carbon emissions remained flat versus 2021 amounting to 0.33 tCO_2e/produced tonne. When looking at our absolute emissions, we see a slight increase by 6 per cent in scope 1 and 2 compared to 2021. This mainly due to a malfunction in one of our suppliers of steam production which impacted the consumption of natural gas. Natural gas has a higher emission factor compared to steam, resulting in a direct increase in emissions.

Production in Cloetta's factories increased from approximately 99,000 tonnes in 2021 to about 104,000 tonnes in 2022. Total energy consumption increased slightly compared to 2021 due to volumes. Energy KPI decreased compared to 2021. Even though the total energy consumption increased from 189 GWh to 195 GWh, the KPI decreased from 1.91 MWh/tonne to 1.89 MWh/ton, which meant higher energy efficiency for 2022.

Sources of energy



To reach our 46 per cent absolute reduction target, we see that we need to continue to work towards more renewable energy sources. Of the total energy consumption, 601,230 GJ (85 per cent) comes from non-renewable energy sources (natural gas, LPG, district heating, and heat). 102,553 GJ (15 per cent) comes from renewable energy sources (electricity and district heating).

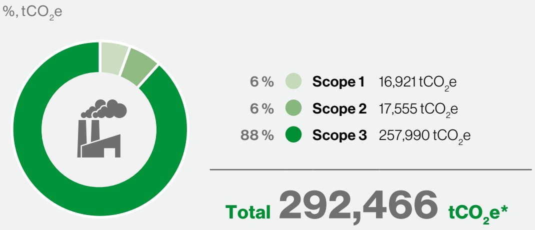
Scope 3

In 2022, Scope 3 emissions amounted to 257,990 tCO_2e compared to 251,042 tCO_2e in 2021. Scope 3 accounts for the majority of our total carbon footprint, which is why we aim to obtain better data from our supply chain, including accurate emissions factors for our specific raw materials, instead of working with generic open-source estimations.

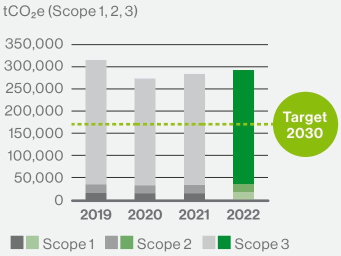
Product climate footprint case

During 2022, Ahlgrens bilar Gröna bilar was our first product to communicate its product footprint on-pack using CarbonCloud to verify our calculations. Transparency to our consumers is important, both for the product ingredients, but also the product lifecycle and its impacts. Calculating the product footprint was a beneficial exercise for us internally to understand the areas where we can impact with improvements in our factory and with packaging, and educate our consumers on where the majority of our emissions comes from. We are just at the beginning of our climate action journey which will involve all of our stakeholders, from our suppliers to our consumers.

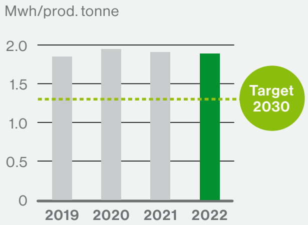
GHG emissions distribution by scope



GHG emissions**



Energy consumption



* tCO_2e (metric tons of carbion dioxide equivalent) represents emissions from all greenhouse gases.
** The data for GHG emissions has been presented in a new way compared to previous years and now is in alignment with our science-based targets.

Climate Journey

1 A good start

- 100 per cent renewable electricity
- 100 per cent RSPO certification segregated palm oil
- 100 per cent Rain Forest Alliance certified cocoa
- 20 per cent packaging from renewable sources or recycled materials
- 8,5 per cent reduction of CO_2e coming from total waste
- Sign up for Science Based Targets – 46 per cent CO_2e emission

2 Accelerate our journey

- Engage all key suppliers to set their own emission reduction targets by 2025
- Increase plant-based confectionery portfolio with 100 per cent by 2025 vs 2019
- 100 per cent recyclable packaging by 2025
- 50 per cent of transportation to renewable fuel by 2025
- All new company cars will be 100 per cent electric by 2025
- Zero emissions from total waste by 2025

3 Scaling up

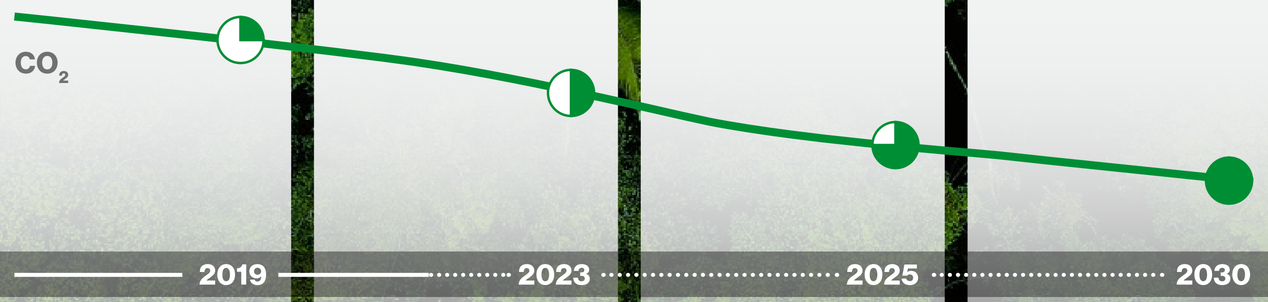
- Support key suppliers to increase share of regenerative agriculture methods by 2030
- Increase plant-based confectionery portfolio with 100 per cent by 2030 vs 2025
- 100 per cent packaging from renewable sources or recycled materials by 2030
- 75 per cent of transportation to renewable fuel by 2030
- 75 per cent renewable energy sources by 2030

4 Delivering our promise

Reaching the targets approved by Science Based Targets initiative.

46%

CO_2 reduction by 2030



Sustainable sourcing

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

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

Suppliers

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

Suppliers are obliged to adhere to these governance documents and report any changes in their operations that may lead to deviations from agreements with us. 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. During 2022, we structured our process on how to monitor performance, and we improved our supplier questionnaires to obtain performance data.

The number of audits increased during 2022 compared to previous year due to less travel restrictions and an increase in new suppliers. In total, quality and food safety audits were performed on-site at 14 suppliers and 12 new first-tier suppliers (direct suppliers) were approved in our Sustainable Sourcing programme. All new suppliers were assessed in terms of their food safety, product quality, environmental considerations, workplace conditions and human rights.

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

Raw materials

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

Better resource use

As a participant of the UN's Global Compact, Cloetta applies the precautionary principle in its environmental work. The precautionary principle is particularly relevant to how we deal with the impact of our emissions into the air and water, as well as chemical usage.

Efficient use of resources is important throughout our value chain. We monitor the environmental impact of products and packaging throughout the entire lifecycle.

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.

Waste management and recycling

Key areas of environmental actions include operational excellence, efficient use of resources including energy, water and waste, and promoting renewable energy, transportation and travels.

Cloetta strives to minimize the amount of waste and recycle as much as possible. Waste is generated throughout our value chain; from farming, extraction of raw materials, transport, in our manufacturing processes and with customers and consumers. Within Cloetta's own manufacturing, the largest types of waste are organic waste and residual waste.

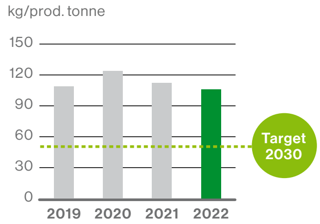
Programmes are in place in our factories to improve efficiency and reduce physical waste. We have routines for waste management where we collect and sort waste and hazardous waste, and replace hazardous chemicals with less hazardous ones. All waste is registered and waste data is collected in our monthly environmental reporting. All employees and contractors are responsible for correctly sorting and disposing of waste at the facilities. The employees have received training in how waste should be handled, as part of our environmental management system.

Total waste is now 106 kg/tonne produced, compared to 112 kg/tonne produced in 2021.

Less and Better Packaging

CO_2e emissions related to packaging is a tangible area of focus for our stakeholders, most importantly our consumers. We continue to work towards more circular packaging, with our goal of 100 per cent recyclable packaging by 2025. Plastic-free, less packaging, and renewable sources are other areas of focus in the Less and Better Packaging vision. One of our ongoing projects that addresses these focus areas is our PlantPack innovation. During 2022, approximately 3 per cent more of our packaging came from PlantPack, which is an innovation replacing up to 50 per cent of the previous packaging with plant-based plastic, and thereby improving our climate footprint and securing more renewable sources for packaging for our future.

Waste*



* Figures for 2019–2021 have been updated to reflect the additional waste streams calculated according to GRI.

Operations

All of Cloetta's factories are certified according to the BRC Global Standard for Food Safety, an international standard that outlines requirements to manage product safety, integrity, legal compliance and quality, and the operational controls in the food industry. We also apply the principle of caution concerning allergies and food safety, supported by our quality and food safety programmes.

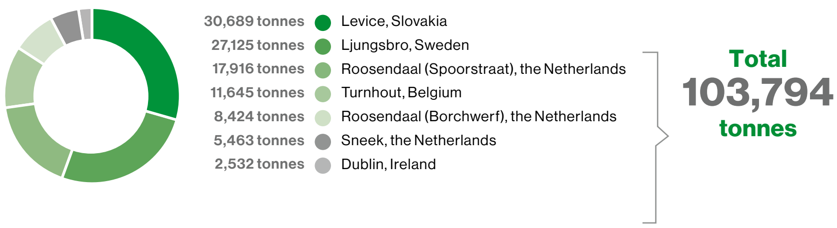
To support and facilitate compliance with BRC and EU regulations, Cloetta has also developed its own Good Manufacturing Practice (GMP) Manual, aligned and updated with the best reference standards in the food industry, which is being implemented in all factories. We have seven factories and we also use third-party suppliers for part of the production. External production is only outsourced to manufacturers with the same high-quality standards that are applied to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

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

We have a central management system to ensure standardised working methods in our operations. Each production unit has a locally adapted management system that is linked to the central system. Central policies, goals and procedures are broken down and implemented at a local level. The management systems cover health and safety, environment, quality and product safety. These systems are based on the international standards BRC Global Standard for Food Safety, ISO 14001, for recurring risk assessments and continuous improvements. The core of these standards aims to improve the business process performance and its expected outcome.

Production by factory in 2022

Tonnes



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

“A sweeter future

Value chain

1 Product development

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

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

2 Purchasing

Cloetta's total purchasing costs amounted to SEK 4,416 m during the year, of which SEK 2,973m was for raw materials and consumables. The three main raw materials in terms of purchasing costs are sugar, cocoa and gelatin.

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

3 Manufacturing

By end of 2022 Cloetta had 2,873 employees and total personnel cost amounted to SEK 1,589m. Cloetta's factories had 1,678 employees. During the year, Cloetta produced about 104 thousand tonnes of candy, chocolate, chewing gum and pastilles.

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

4 Customer

Total net sales amounted to SEK 6,869m. Cloetta's largest customer category is the grocery retail trade. The service trade is also a very important customer group.

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

5 Consumer

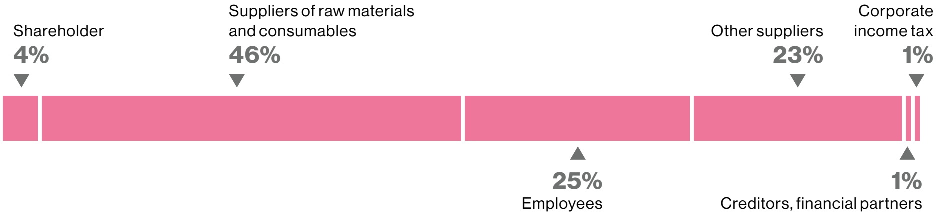
Our company purpose, "We believe in the Power of True Joy" has our consumers at its center. We provide strong brands and a large range of pick & mix products. We also provide feedback on complaints and opinions in our customer service portal.

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

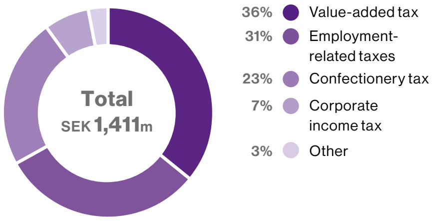
Creating value

Distributed value SEK 6,483m[1]

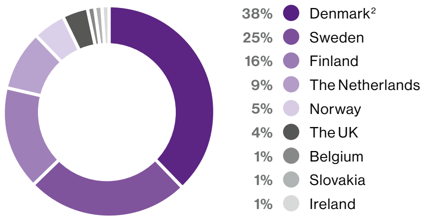
Manufacturing and sales of Cloetta's products generate economic value that benefits its stakeholders.



Taxes paid



Taxes paid per country

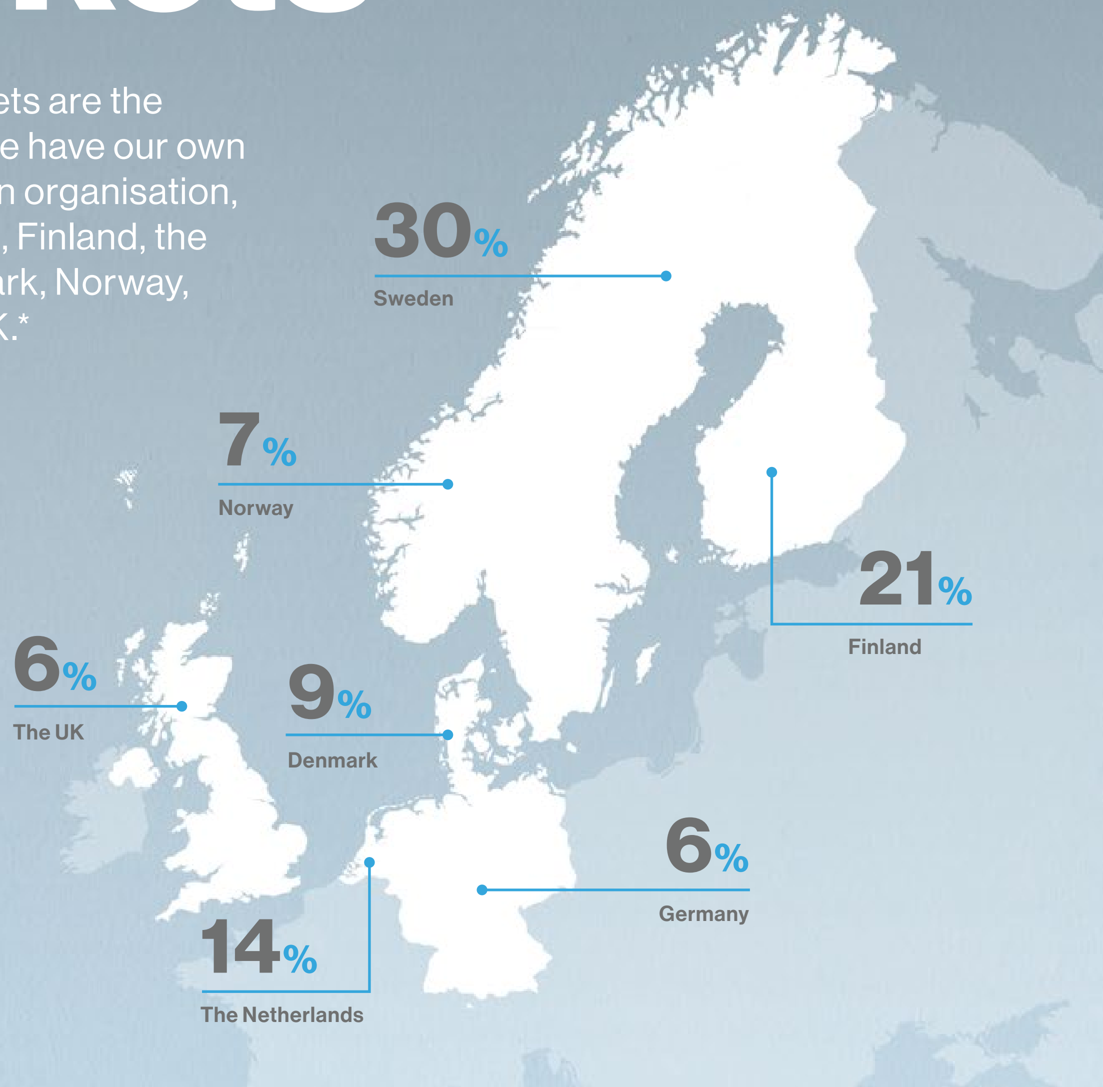


Our intention is to pay taxes in accordance with international and local legislation in the countries were Cloetta is operational.

1) Net sales of SEK 6,869m excluding profit for the year, amortisation, depreciation and impairments and including paid dividends. Total retained economic value of SEK 386m.
2) Tax paid in Denmark is proportionally higher due to sugar taxes.

Cloetta's main markets

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



Category position

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

*) Presence on the market without confirmed market position.
**) Estimated market position based on data from specific customers.

Source: Kesko, SOK, IRI and Nielsen

*) The market consumption data calculations have been updated vs previous years and this may affect the comparability vs the market consumption numbers stated in the Annual and Sustainability Report 2021.

Sweden

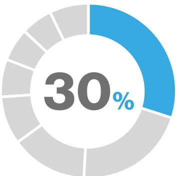
Sweden is the largest single market in the Nordic region, with a population of around 10.4 million people and almost one third of the total confectionery consumption. In 2022, the Swedish market recorded consumer sales of around SEK 16 bn, an increase compared to the prior year.

Sales channels

Cloetta's largest customers include Axfood, Coop, ICA and Privab. The Swedish grocery retail trade is concentrated and increasingly centrally controlled, but with good opportunities for influence at the local store level. The task for Cloetta's sales force is to ensure distribution as well as placement and space in the stores in accordance with the central agreements, and also to provide the trade with support in implementing campaigns and launches. The pick & mix concepts are handled by a dedicated 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 240 employees in the sales and merchandising organisation and the office in Malmö.



Share of sales

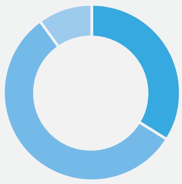
0.6%

Total market CAGR 2017–2022

Top-selling brands

Categories

Confectionery market excl. pick & mix

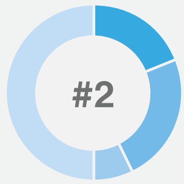


- 34% Candy and pastilles
- 56% Chocolate
- 10% Chewing gum

Source: Global data

Largest players

Confectionery market excl. pick & mix



- 19% Cloetta
- 24% Mondelez
- 7% Fazer
- 50% Others

Source: Nielsen

Finland

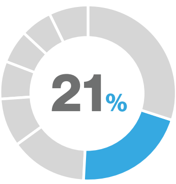
Finland is the third largest market in the Nordic region, with a population of around 5.5 million people and one fourth of the total confectionery consumption. In 2022, the Finnish market recorded consumer sales of around SEK 12 bn, an increase compared to the prior year.

Sales channels

The Finnish grocery retail trade is dominated by two players, Kesko and S-Group. Lidl also has a large share of retail trade with 10 per cent. Finland has the most centralised purchasing of all the Nordic region markets which enables new products to achieve wide distribution and quickly become available to consumers. Cloetta's largest customers include S-Group, Kesko and Tokmanni. Cloetta is the market leader in pick & mix which represents about 8 per cent of the total market value.

Organisation

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



Share of sales

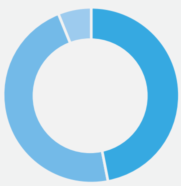
3.1%

Total market CAGR 2017–2022

Top-selling brands

Categories

Confectionery market excl. pick & mix

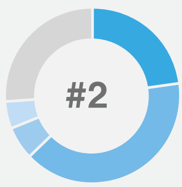


- 47% Candy and pastilles
- 47% Chocolate
- 6% Chewing gum

Source: Global data

Largest players

Confectionery market excl. pick & mix



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

Source: Kesko and SOK

The Netherlands

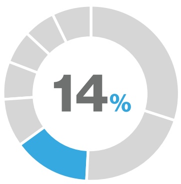
The Netherlands is the sixth largest confectionery market in Western Europe, with a population of around 17.4 million. In 2022, the Dutch market recorded consumer sales of around SEK 24 bn, an increase compared to the prior year.

Sales channels

The grocery retail trade is concentrated around a few major players. Primarily centralised purchasing allows for wide and rapid distribution of new products that are launched. Other important channels include the hard discount retail chains, pharmacies and out-of-home. Online grocery shopping has a stronger position in the Netherlands than in any other of Cloetta's main markets, despite the fact that overall e-commerce is lagging in the Netherlands. Cloetta's largest customers include Albert Heijn, Superunie, Jumbo Supermarkten and Maxxam.

Organisation

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



Share of sales

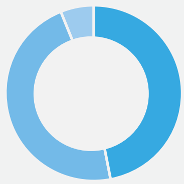
3.8%

Total market CAGR 2017–2022

Top-selling brands

Categories

Confectionery market excl. pick & mix

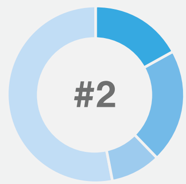


- 47% Candy and pastilles
- 47% Chocolate
- 6% Chewing gum

Source: Global data

Largest players

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



- 17% Cloetta
- 21% Perfetti
- 9% Haribo
- 53% Others

Source: IRI

Denmark

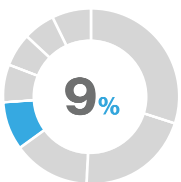
Denmark accounts for around 15 per cent of the Nordic region's total confectionery consumption, with a population of around 5.8 million. In 2022, the Danish market recorded consumer sales of around SEK 12 bn, an increase compared to prior year.

Sales channels

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

Organisation

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



Share of sales

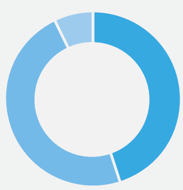
3.1%

Total market CAGR 2017–2022

Top-selling brands

Categories

Confectionery market excl. pick & mix

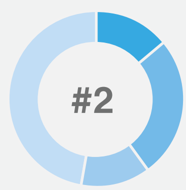


- 45% Candy and pastilles
- 48% Chocolate
- 7% Chewing gum

Source: Global data

Largest players

Confectionery market excl. pick & mix



- 14% Cloetta
- 26% Haribo
- 13% Toms
- 47% Others

Source: Nielsen

Norway

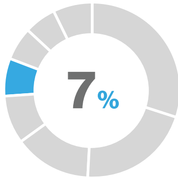
Norway is the smallest market in the Nordic region, with a population of around 5.4 million and just under a sixth of the region's total confectionery consumption. In 2022, the Norwegian market recorded consumer sales of around SEK 14 bn, an increase compared to prior year.

Sales channels

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

Organisation

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



Share of sales

-0.2%

Total market CAGR 2017–2022

Top-selling brands

Germany

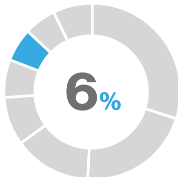
Germany is the largest market in Western Europe, with a population of around 83.2 million people. In 2022, the German market recorded consumer sales of around SEK 113 bn, an increase compared to prior year.

Sales channels

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

Organisation

Cloetta has its own sales organisation in Bocholt, Germany with 12 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.



Share of sales

2.6%

Total market CAGR 2017–2022

Top-selling brands

United Kingdom

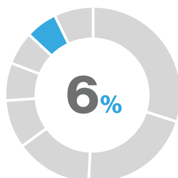
The UK is the second largest market in Western Europe, with a population of around 67.2 million people. In 2022, the UK market recorded consumer sales of around SEK 94 bn, an increase compared to prior year.

Sales channels

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

Organisation

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



Share of sales

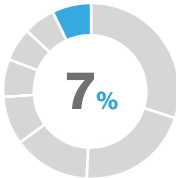
-0.2%

Total market CAGR 2017–2022

Top-selling brands

International Markets

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



Share of sales

Top-selling brands

Sales channels

Cloetta's largest distributors include Continental Sweets (Belgium), Regal (Canada) and Conaxess Trade (Switzerland).

Organisation

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

Share and shareholders

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

7 reasons to invest in Cloetta

1

Strong local brands

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

2

Attractive non-cyclical market

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

3

Focus on continued margin expansion

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

4

Clear strategy to deliver growth

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

5

Strong market positions and distribution

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

6

Attractive cash-flow generation and dividend

Cloetta's business has a very strong cash-generating capacity, which allows for share dividends in accordance with the goal to distribute 40–60 per cent of profit for the year.

7

Sustainable value creation

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

Shareholders[1]

At 31 December 2022, Cloetta AB (publ) had 40,032 (35,689) shareholders, an increase of 12 (2) per cent since the previous year-end. Of the shareholders, 1,190 were financial and institutional investors and 38,842 were private investors. Financial and institutional investors held 81.8 per cent of the votes and 78.5 per cent of the share capital. There were 1,183 foreign shareholders who held 34.1 per cent of the votes and 40.2 per cent of the share capital. The 15 largest shareholders accounted for 64.6 per cent of the votes and 58.3 per cent of the share capital. At 31 December 2022, AB Malfors Promotor was Cloetta's largest shareholder with a holding representing 41.0 per cent of the votes and 30.5 per cent of the share capital in the company. The second largest shareholder was LSV Asset Management, with 3.2 per cent of the votes and 3.7 per cent of the share capital, and the third largest shareholder was Dimensional Fund Advisors LP with 2.5 per cent of the votes and 3.0 per cent of the share capital.

Share price and trading[2]

Between 1 January and 31 December 2022, 164,452,684 Cloetta shares were traded on Nasdaq Stockholm for a total value of SEK 3,623m, equal to around 58 per cent of the total number of class B shares at the end of the period. Trading on Nasdaq Stockholm accounted for 41.5 per cent, and other markets where the Cloetta share was traded include Cboe Global Markets at 49.2 per cent, LSE Group at 6.0 per cent and Aquis at 2.4 per cent.

The highest quoted bid price during the period from 1 January to 31 December 2022 was SEK 26.62 on 4 January 2022, and the lowest bid price was SEK 17.05 on 29 September 2022. The share price on 31 December 2022 was SEK 20.86 (last price paid). During the period from 1 January to 31 December 2022, Cloetta's share price decreased by 21.0 per cent, while Nasdaq OMX Stockholm PI decreased by 25.2 per cent.

Share capital and capital structure

Cloetta's share capital at 31 December 2022 amounted to SEK 1,443,096,495. The total number of shares is 288,619,299, divided between 5,735,249 class A shares and 282,884,050 class B shares, equal to a quota value per share of SEK 5. According to the Articles of Association, the share capital shall amount to not less than SEK 400,000,000 and not more than SEK 1,600,000,000, divided between no less than 80,000,000 shares and no more than 320,000,000 shares. At 31 December 2022 Cloetta had 3,213,561 class B shares in treasury.

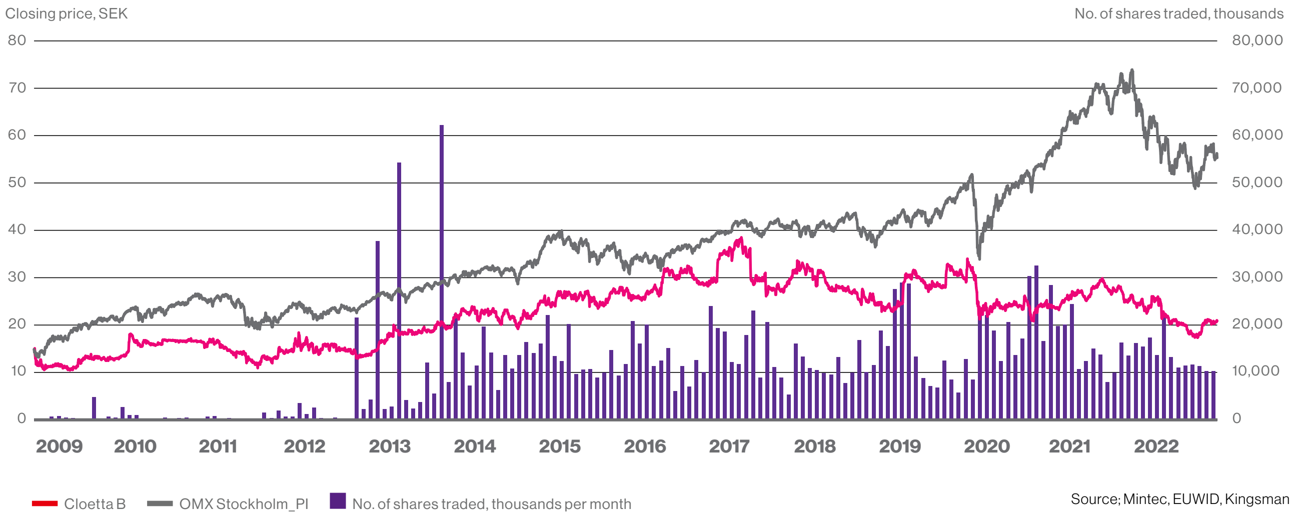
Dividend policy

Cloetta's long-term goal is a dividend payout of 40–60 per cent of profit for the year. The ambition is to continue to propose a stable dividend. 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 287m was transferred to the shareholders in 2022. For the financial year 2022 the Board of Directors

Share price performance

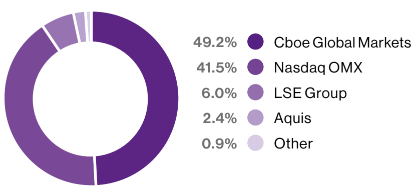
2009–2022



Source; Mintec, EUWID, Kingsman

Marketplaces, %

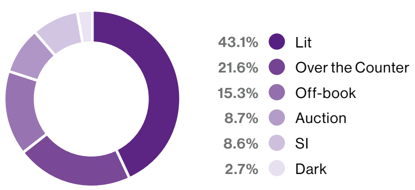
1 January–31 December 2022



Source: Monitor by Modular Finance

Trading categories, %

1 January–31 December 2022



Source: Monitor by Modular Finance

LIT, i.e. buy-and-sell orders are public. Traditional exchange trading.

Off-book, stock trades that are executed away from the exchange and are registered later.

Over the Counter, trading of securities executed outside of formal exchanges and without the supervision of an exchange regulator.

SI, Systematic Internalisers, outside regulated markets or trading platforms.

Auction, auction trading process on an exchange.

Dark buyers and sellers trade shares anonymously, without public transparency. Not registered on any public exchange.

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

Investor relations 2022

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).

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

January
Interim report Q4

March
Annual and Sustainability Report

April
Annual General Meeting
Interim report Q1

July
Interim report Q2

September
Investor event – new greenfield facility

October
Interim report Q3

of Cloetta AB proposes to distribute a dividend to the shareholders of SEK 1.00 (1.00) per share for the 2022 financial year corresponding to 104 per cent (61) of profit for the year, equal to 63 per cent of the profit for the year excluding impact of the impairment and provisions and other items affecting comparability relating to the greenfield facility. The dividend is resolved on by the Annual General Meeting (AGM) and disbursement is handled by Euroclear Sweden AB. The right to a dividend is granted to those persons who are listed as shareholders in the share register maintained by Euroclear Sweden AB on the record date.

Articles of Association

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

Individuals with an insider position

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

Silent periods

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

15 largest shareholders at 31 December 2022

The below shareholders information includes 3,213,561 B-share held in Treasury by Cloetta AB (publ).

	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Aktiebolaget Malfors Promotor	41.0	30.5	87,929,542	5,729,569	82,199,973
LSV Asset Management	3.2	3.7	10,746,398	-	10,746,398
Dimensional Fund Advisors LP	2.5	3.0	8,602,963	-	8,602,963
Financière de l'Échiquier SA	2.3	2.8	8,028,131	-	8,028,131
The Vanguard Group, Inc.	2.2	2.6	7,511,528	-	7,511,528
Thompson, Siegel & Walmsley LLC	2.2	2.6	7,490,980	-	7,490,980
Ulla Håkanson	1.5	1.7	5,000,000	-	5,000,000
Norges Bank Investment Management	1.5	1.7	4,962,203	-	4,962,203
Försäkringsaktiebolaget Avanza Pension	1.4	1.7	4,909,450	-	4,909,450
BlackRock Fund Advisors	1.3	1.5	4,447,346	-	4,447,346
FIAM LLC	1.2	1.4	3,915,510	-	3,915,510
Polaris Capital Management LLC	1.1	1.3	3,732,700	-	3,732,700
Fidelity Management & Research Co. LLC	1.1	1.3	3,719,584	-	3,719,584
Olof Svenfelt	1.1	1.3	3,700,030	30	3,700,000
Barclays Capital Securities Ltd.	1.0	1.2	3,493,655	-	3,493,655
Total, 15 largest shareholders	**64.6**	**58.3**	**168,190,020**	**5,729,599**	**162,460,421**
Other shareholders	35.4	41.7	120,429,279	5,650	120,423,629
Total	**100.0**	**100.0**	**288,619,299**	**5,735,249**	**282,884,050**

Source: Cmi2i. Nominee accounts/shareholders are not included in this compilation.

Size categories at 31 December 2022

	No. of shareholders	Total no. of shares	No. of A-shares	No. of B-shares	Capital, %	Votes, %
1 – 500	29,427	3,656,659	3,286	3,653,373	1.3	1.1
501 – 1,000	4,231	3,478,931	500	3,478,431	1.2	1.0
1,001 – 5,000	4,891	11,371,010	1,750	11,369,260	3.9	3.4
5,001 – 10,000	682	5,252,720	-	5,252,720	1.8	1.5
10,001 – 15,000	213	2,710,987	-	2,710,987	0.9	0.8
15,001 – 20,000	137	2,557,838	-	2,557,838	0.9	0.8
> 20,000	451	259,591,154	5,729,713	253,861,441	90.0	91.4
Total	**40,032**	**288,619,299**	**5,735,249**	**282,884,050**	**100.0**	**100.0**

Source: Euroclear

Shareholders by country at 31 December 2022

	No. of share-holders	% of votes	% of share capital	Total no. of shares	No. of A shares	No. of B shares
Sweden	38,849	66.0	59.8	172,781,047	5,735,249	167,045,798
The US	48	17.3	20.4	58,906,445	-	58,906,445
France	15	2.2	2.6	7,445,728	-	7,445,728
Finland	253	1.5	1.8	5,207,787	-	5,207,787
Norway	99	1.5	1.8	5,202,865	-	5,202,865
Other countries	768	11.5	13.6	39,075,427	-	39,075,427
Total	**40,032**	**100.0**	**100.0**	**288,619,299**	**5,735,249**	**282,884,050**

Source: Monitor by Modular Finance AB. Compiled and processed from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

Shareholder categories at 31 December 2022

	No. of shareholders	% of shareholders	% of votes	% of share capital
Private investors	38,842	97.0	18.2	21.5
Of which, Swedish residents	38,378	95.9	17.7	20.9
Legal entities	1,190	3.0	81.8	78.5
Of which, Swedish residents	471	1.2	48.3	38.9
Total	**40,032**	**100.0**	**100.0**	**100.0**
Of which, Swedish residents	38,849	97.1	66.0	59.8

Source: Monitor by Modular Finance AB. Compiled and processed from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

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 66–67, and Note 23 on pages 107–110.

	LTI 2022	LTI 2021	LTI 2020	LTI 2019	LTI 2018
AGM approval date	April 2022	April 2021	April 2020	April 2019	April 2018
Maximum number of B shares to be allocated	1,622,932	1,590,629	1,206,374	1,648,046	1,201,602
as a percentage of total shares	0.6	0.6	0.4	0.6	0.4
as a percentage of voting rights	0.5	0.5	0.4	0.5	0.4
Number of employees offered the opportunity to participate	47	48	45	45	54
Number of participants at inception date	35	38	30	30	44
Estimated number of B shares to be allocated, subject to possible recalculation	1,199,643	875,573	-		
as a percentage of total shares	0.4	0.3	-		
as a percentage of voting rights	0.4	0.3	-		
Number of participants at reporting date	33	33	24		
Vesting date				27 April 2022	27 April 2021
Realised performance target, %				-	-
Actual number of matching shares granted on vesting date				-	136,625
Actual number of performance shares granted on vesting date				-	-
Total number of B shares granted on vesting date				**-**	**136,625**
as a percentage of total shares				-	0.0
as a percentage of voting rights				-	0.0
Number of participants at vesting date				23	31

Analysts

The following analysts regularly monitor Cloetta's development:

Handelsbanken: Nicklas Skogman
nisk03@handelsbanken.se

Nordea: Stefan Stjernholm
stefan.stjernholm@nordea.com

SEB: Andreas Lundberg
andreas.lundberg@seb.se

Share data

Marketplace	Nasdaq Stockholm
Date of listing	16 February 2009
Segment	Mid cap
Sector	Food Producers, Food & Beverage and Consumer Goods
Ticker symbol	CLA B
ISIN code	SE0002626861
Currency	SEK
Standard trading unit	1 share
No. of shares in issue	288,619,299 A and B shares
Highest price paid in 2022	SEK 26.62 (4 January 2022)
Lowest price paid in 2022	SEK 17.05 (29 September 2022)
Last price paid 2022	SEK 20.86
Share price growth in 2022	-21.0 per cent

IR contact

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Investor Relations
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Switchboard: +46 8 527 28 800
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Frequently asked questions to Cloetta

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

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

What is your pricing strategy?
We adjust our prices based mainly on fluctuations in raw material costs and exchange rates. Historically, we have managed to offset headwinds from raw material and currency through pricing. Sometimes we also adjust prices in conjunction with initiatives such as new product launches or changes in packages. In a high inflationary environment, Cloetta's strategy is to protect its profitability by compensating for all input costs in absolute terms, also including packaging, freight and energy costs, through price increases towards its customers as well as cost savings and reducing overall energy consumption.

How are you mitigating the current inflationary environment?
In an inflationary environment, we believe that price increases in combination with cost savings remain the only sustainable strategy and during 2022 , this strategy has enabled us to protect our profit despite the increasing input costs. We are taking further pricing actions during the beginning of 2023 to address the continuing inflation.

What is your rationale behind the decision to invest in a new greenfield facility in the Netherlands?
Cloetta has evaluated a wide range of alternatives for a sustainable manufacturing that meets the future consumer demand. The conclusion is that investing in a new greenfield facility in the Netherlands and closing three existing plants is the most attractive alternative for Cloetta's future development, as it enables significant cost savings, facilitates further growth and reduces greenhouse gas emissions.

How are you impacted by the war in Ukraine?
Russia's war in Ukraine entails risks of further impact on the global economy, further cost inflation, and disruptions in supply chains. While Cloetta does not have any significant direct financial exposure to any of the countries involved, the company is being impacted by rising input costs and global supply chain challenges.

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

How big is the risk that various sugar taxes will be introduced, and how will that affect you?
Cloetta's strategy is to give the consumers the opportunity to choose by providing alternatives in the form of sugar-free products, products with less sugar and products that are naturally free from sugar. In general, we have to count on the possibility that different countries will both introduce and abolish sugar and confectionery taxes from time to time. When different taxes are introduced, it naturally affects our sales, but only initially and to a fairly minor extent since our products are of a type that consumers want, and can afford to treat themselves to, despite price increases.

Why do you use palm oil in your products?
Palm oil in and of itself is a very good oil. It is very effective for surfaces and has excellent properties for food production. To prevent negative environmental consequences, Cloetta only uses RSPO-segregated palm oil, which means that the oil is produced sustainably and does not contribute to destruction of rainforests. We will continue to use sustainably produced and certified palm oil in our chocolate products and where more sustainable alternatives are not yet available.

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

Financial performance

Net sales and profit

Condensed consolidated profit and loss account

SEKm	2022	2021
Net sales	6,869	6,046
Cost of goods sold	-4,738	-3,898
Gross profit	**2,131**	**2,148**
Selling expenses	-1,009	-938
General and administrative expenses	-656	-645
Operating profit	**466**	**565**
Net financial items	**-123**	**-7**
Profit before tax	**343**	**558**
Income tax	-68	-86
Profit for the year	**275**	**472**
Operating profit, adjusted	*691*	*571*

Net sales

Net sales for the year increased by SEK 823m to SEK 6,869m (6,046) compared to last year. Organic growth was 10.0 per cent and exchange rate differences were 3.6 per cent. Sales of Branded packaged products increased organically by 6.8 per cent. Pick & mix sales increased organically by 21.1 per cent.

Sales of Branded packaged products account for 75 per cent (78) of total sales, and Pick & mix accounts for 25 per cent (22) of total sales. Divided by category, candy accounts for 62 per cent (61) of sales and chocolate accounts for 19 per cent (19). Pastilles account for 10 per cent (10), chewing gum for 5 per cent (5), nuts for 2 per cent (3) and other products for 2 per cent (2).

Sales in seven main markets

Cloetta has seven main markets, of which Sweden is the largest with around 30 per cent (31) of Cloetta's sales. The second largest market is Finland with 21 per cent (21). The Netherlands accounts for 14 per cent (14), Denmark for 9 per cent (9), Norway for 7 per cent (7), Germany for 6 per cent (6) and the UK for 6 per cent (6).

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

International Markets

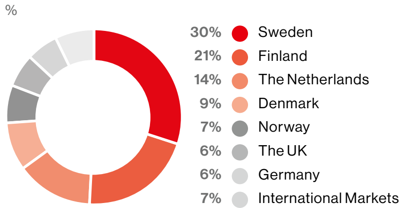
In addition to the main markets, Cloetta's products are sold through distributors in more than 50 countries. Sales in these other markets increased in 2022 and accounted for 7 per cent (6) of Cloetta's sales.

Pricing strategies

In Cloetta's main markets the grocery trade is consolidated with few, very large retail chains. 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. Furthermore, in a high inflationary environment, Cloetta's strategy is to protect its profitability by compensating for all input costs in absolute terms, also including packaging, freight and energy costs, through price increases towards customers as well as cost savings and reducing overall energy consumption. For more information on Cloetta's pricing strategy, see page 46.

Cloetta's net sales by country

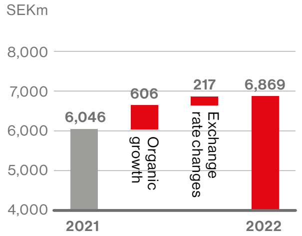
%



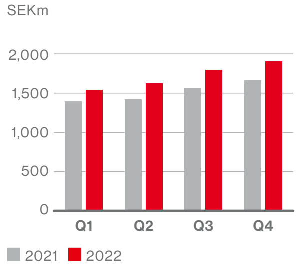
67% Nordic countries

33% Other

Net sales – change



Net sales



Gross profit
Gross profit amounted to SEK 2,131m (2,148), which equates to a gross margin of 31.0 per cent (35.5). Gross profit, adjusted for items affecting comparability, amounted to SEK 2,341m (2,147), which equates to a margin of 34.1 per cent (35.5). The adjusted gross profit was positively impacted by higher volumes, favourable mix and pricing, partly offset by higher input costs.

Operating profit
Operating profit amounted to SEK 466m (565). Operating profit, adjusted for items affecting comparability, amounted to SEK 691m (571). The adjusted operating profit increase was driven by higher adjusted gross profit.

Items affecting comparability
Operating profit for the year includes items affecting comparability of SEK -225m (-6) that are mainly related to the greenfield facility. Total items affecting comparability for the greenfield facility consist of recognised impairments of SEK -134m and provisions and other items affecting comparability of SEK -108m.

Employees
The average number of employees was 2,598 (2,599).

Research and development
Costs for research and development (R&D) were charged to operating profit for an amount of SEK 32m (31) and are primarily attributable to the development of new product and brand varieties as well as packaging solutions within the framework of the existing product range. No expenses for research and development have been capitalised.

Seasonal variations
Cloetta's sales and operating profit are subject to some seasonal variations. Sales in the first and second quarters are, mainly in Sweden, 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 -123m (-7). Interest expenses related to external borrowings were SEK -48m (-33), exchange differences on cash and cash equivalents were SEK -143m (33) which mainly related to the development of the Swedish and Norwegian krona and the Great Britain pound against the euro during the year. Other financial items amounted to SEK 68m (-7). Of the total net financial items SEK -84m (-33) is non-cash in nature.

Profit for the year
Profit for the year was SEK 275m (472), driven by items affecting comparability and unrealised exchange rate differences on cash and cash equivalents. Income tax for the period was SEK -68m (-86). The effective tax rate for the period was 19.8 per cent

Quarterly data

	2022	Q1	Q2	Q3	Q4	2021	Q1	Q2	Q3	Q4
Net sales, SEKm	6,869	1,540	1,626	1,798	1,905	6,046	1,398	1,420	1,566	1,662
Operating profit, SEKm	466	154	-61	186	187	565	103	126	179	157
Operating profit, adjusted, SEKm	691	158	162	188	183	571	107	127	180	157
Operating profit margin, %	6.8	10.0	-3.8	10.3	9.8	9.3	7.4	8.9	11.4	9.4
Operating profit margin, adjusted, %	10.1	10.3	10.0	10.5	9.6	9.4	7.7	8.9	11.5	9.4

Net financial items

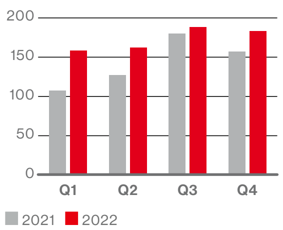
SEKm	2022	2021
Exchange differences on cash and cash equivalents in foreign currencies	-143	33
Other financial income	21	2
Unrealised gains or losses on single currency interest rate swaps	57	7
Interest expenses on third-party borrowings and realised losses on single currency interest rate swaps	-48	-33
Interest expenses, third-party pensions	-4	-5
Other financial expenses	-6	-11
Net financial items	**-123**	**-7**

Key ratios

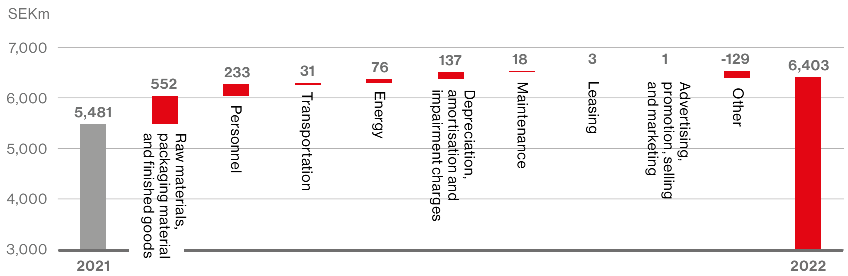
%	2022	2021
Gross margin	31.0	35.5
Operating profit margin	6.8	9.3
Operating profit margin, adjusted	10.1	9.4
Return on capital employed	7.2	7.9
Return on equity	5.5	10.5

For definitions, see pages 152–153.

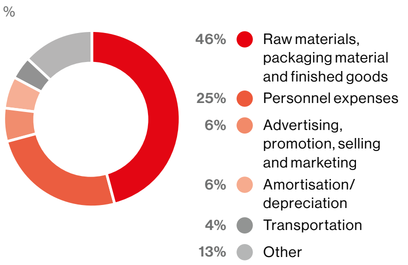
Operating profit, adjusted



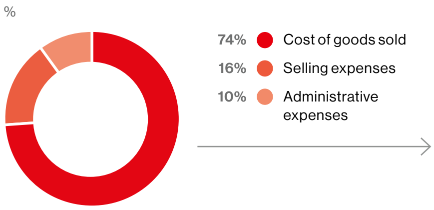
Operating expenses – change



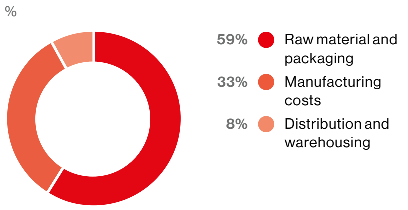
Operating expenses – by type



Operating expenses – by category



Cost of goods sold



(15.4) and was positively impacted by the applicable rates in the countries where the cost related to the greenfield facility are recognised. In addition, the release of a tax provision, international tax rate differences and differences between expected and actual tax filings impacted the effective tax rate favorably. The recognition of a tax provision and non-deductible expenses had a negative impact. The effective tax rate for the year excluding the items affecting comparability, would have been 21.8 per cent. Profit for the year equates to basic and diluted earnings per share of SEK 0.96 (1.64).

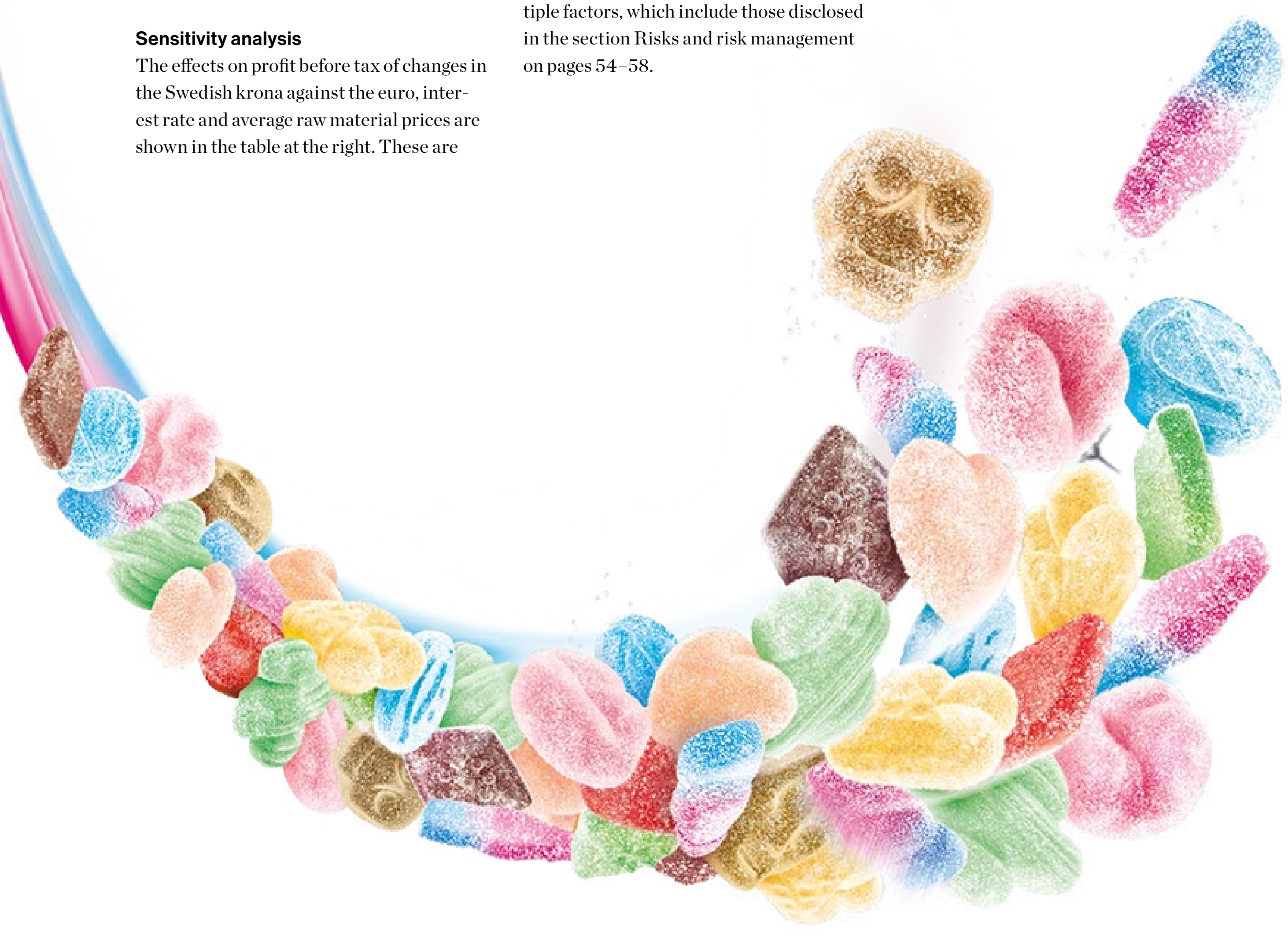
Sensitivity analysis

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

Cloetta's development is affected by multiple factors, which include those disclosed in the section Risks and risk management on pages 54–58.

Sensitivity analysis

	Change	Profit before tax
Currency risk If the Swedish krona weakens/strengthens against the euro	-/+ 10%	+/- SEK 25m
Interest rate risk Interest rate	+/- 1%	- SEK 7m/ + SEK 4m
Commodity price risk Average raw material prices	+/- 10%	-/+ SEK 144m



Financial position

Consolidated balance sheet

SEKm	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	5,883	5,582
Property, plant and equipment	1,581	1,576
Deferred tax asset	43	42
Derivative financial instruments	25	2
Other financial assets	3	5
Total non-current assets	**7,535**	**7,207**
Current assets		
Inventories	1,090	843
Trade and other receivables	1,030	787
Current income tax assets	44	19
Derivative financial instruments	34	1
Cash and cash equivalents	583	692
Total current assets	**2,781**	**2,342**
TOTAL ASSETS	**10,316**	**9,549**
EQUITY AND LIABILITIES		
Equity	**4,994**	**4,515**
Non-current liabilities		
Long-term borrowings	2,277	2,162
Deferred tax liability	884	863
Provisions for pensions and other long-term employee benefits	345	505
Provisions	107	-
Total non-current liabilities	**3,613**	**3,530**
Current liabilities		
Short-term borrowings	207	206
Derivative financial instruments	-	0
Trade and other payables	1,419	1,267
Provisions	6	5
Current income tax liabilities	77	26
Total current liabilities	**1,709**	**1,504**
TOTAL EQUITY AND LIABILITIES	**10,316**	**9,549**

Assets

Total assets at 31 December 2022 amounted to SEK 10,316m (9,549), which is an increase of SEK 767m compared to the previous year.

Non-current assets

Intangible assets totalled SEK 5,883m (5,582). The change consists mainly of exchange differences related to intangible assets recognised in foreign subsidiaries of SEK 313m (77). Investments for the year amounted to SEK 1m (1) and amortisation amounted to SEK -14m (-26). Of total intangible assets, 99 per cent (99) or SEK 5,813m (5,501) pertained to goodwill and trademarks at 31 December 2022. Goodwill and trademarks are tested at least yearly for impairment.

Property, plant and equipment amounted to SEK 1,581m (1,576). The year's investments amounted to SEK 295m (229). 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. Impairment losses amounted to SEK -136m (-1) and are related to the announced investment in a new greenfield facility and closure of the factories in Roosendaal, the Netherlands and Turnhout, Belgium, and comprise assets that will not be transferred to the new facility. Depreciation amounted to SEK -248m (-234). Exchange differences related to property, plant and equipment recognised in foreign subsidiaries amounted to SEK 98m (27) during the year. Other movements add up to SEK -3m (-5).

Current assets

Current assets amounted to SEK 2,781m (2,342). This change is mainly due to higher inventories and trade and other receivables of in total SEK 490m partly offset by lower cash and cash equivalents of SEK 109m.

Equity and liabilities

Equity

Consolidated equity at 31 December 2022 amounted to SEK 4,994m (4,515), which equates to SEK 17.5 (15.7) 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 48.4 per cent (47.3).

Liabilities

Non-current liabilities amounted to SEK 3,613m (3,530), which is an increase of SEK 83m compared to previous year. Long-term borrowings totaled SEK 2,277m (2,162) and consisted of SEK 2,190m (2,081) in gross non-current loans from credit institutions, SEK 95m (84) in non-current lease liabilities and SEK -8m (-3) in capitalised transaction costs. The deferred tax liability increased by SEK 21m to SEK 884m. Pension provisions decreased by SEK 160m to SEK 345m. The long-term provision of SEK 107m (0) relate to the severance payments and outplacement costs recognised in relation to the announced closure of the factories in Turnhout, Belgium and Roosendaal, the Netherlands.

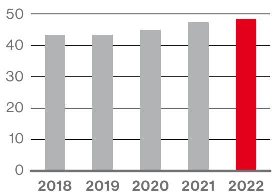
Total short-term borrowings amounted to SEK 207m (206) and consisted of commercial papers of SEK 149m (150), current lease liabilities of SEK 61m (59) and capitalised transaction costs of SEK -3m (-3).

Borrowings

In 2021, Cloetta agreed on refinancing the Group through its existing banks for up to four years with the possibility to extend for an additional two years. In the second quarter of

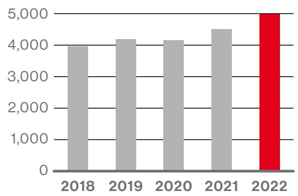
Equity/assets ratio

At 31 December, %



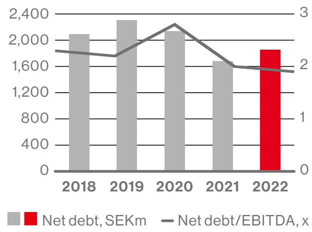
Equity

SEKm



Net debt/EBITDA

SEKm x



2022, Cloetta extended its loan facilities by one year. In the fourth quarter of 2022, new credit facilities, totaling EUR 160m, have been agreed upon with Cloetta's existing banking group.

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 2022 was 0.95 per cent (1.05) for the outstanding loans in SEK and 1.05 per cent (1.15) for the outstanding loans in EUR. Interest on the issued commercial papers at 31 December 2022 amounted to 3.08 per cent on average (0.45). Furthermore, 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 effective interest rate for the loans from credit institutions and the commercial papers was 1.55 per cent (1.01) during the year. The effective interest rate including the effect of single currency interest rate swaps was 1.35 per cent (1.22).

Net debt

SEKm	31 Dec 2022	31 Dec 2021
Gross non-current loans from credit institutions	2,190	2,081
Commercial papers	149	150
Lease liabilities	156	143
Derivative financial instruments (non-current and current)	-59	-3
Interest payable	2	0
Gross debt	**2,438**	**2,371**
Cash and cash equivalents	-583	-692
Net debt	**1,855**	**1,679**

Change in capital employed

Capital employed during the year increased by SEK 435m to SEK 7,823m (7,388) compared to last year.

Net debt

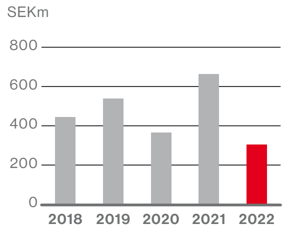
Interest-bearing liabilities exceeded cash and cash equivalents and other interest-bearing assets by SEK 1,855m (1,679). The net debt/equity ratio on the balance sheet date was 37.1 per cent (37.2).

Cash flow statement

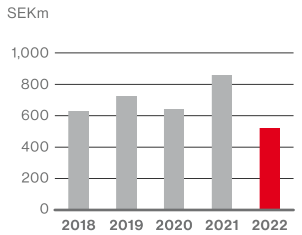
Condensed consolidated cash flow statement

SEKm	2022	2021
Cash flow from operating activities before changes in working capital	822	675
Cash flow from changes in working capital	-303	183
Cash flow from operating activities	**519**	**858**
Investments in property, plant and equipment	-212	-193
Investments in intangible assets	-2	-1
Free cash flow	**305**	**664**
Other investing activities		
Disposals of property, plant and equipment	1	3
Cash flow from other investing activities	**1**	**3**
Cash flow from operating and investing activities	**306**	**667**
Cash flow from financing activities	**-406**	**-436**
Cash flow for the year	**-100**	**231**
Cash and cash equivalents at beginning of year	**692**	**396**
Cash flow for the year	-100	231
Exchange difference	-9	65
Cash and cash equivalents at end of year	**583**	**692**

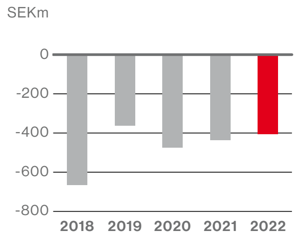
Free cash flow



Cash flow from operating activities



Cash flow from financing activities



Free cash flow

The free cash flow was SEK 305m (664). Cash flow from operating activities before changes in working capital was SEK 822m (675). The cash flow from changes in working capital was SEK -303m (183). The cash flow from investments in property, plant and equipment and intangible assets was SEK -214m (-194).

Cash flow from changes in working capital

Cash flow from changes in working capital was SEK -303m (183). The cash flow from changes in working capital was negatively impacted by an increase in receivables amounting to SEK -201m (-44), an increase in inventories for an amount of SEK -197m (123), partly offset by an increase in payables of SEK 95m (104).

Cash flow from other investing activities

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

Cash flow from financing activities

Cash flow from financing activities was SEK -406m (-436). The cash flow from financing activities was related to the dividend distribution of SEK -287m (-215), payments of lease liabilities of SEK -75m (-69), purchase of treasury shares of SEK -34m (-44) and net proceeds and repayments of loans from credit institutions and commercial papers including transaction costs of SEK -10m (-107). Other cash flows from financing activities amounted to SEK 0m (-1).

Cash and cash equivalents

The net cash flow was SEK -100m (231), which together with exchange differences of SEK -9m (65) decreased cash and cash equivalents by SEK 109m to SEK 583m, compared to SEK 692m in the previous year. Cloetta had an unutilised credit facility of SEK 2,447m (615) and the possibility to issue additional commercial papers for an amount of SEK 850m (850). 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.

Future outlook

Goal attainment
Cloetta's target is to increase sales organically at least in line with market growth. Historically, annual growth in the markets has been one to two per cent. In 2022, Cloetta's organic growth was 10.0 per cent; sales of Branded packaged products grew organically by 6.8 per cent and Pick & mix sales grew organically by 21.1 per cent. The strong growth reflects the inflationary environment during the year. Cloetta's long-term target is an adjusted EBIT margin of at least 14 per cent. In 2022, the adjusted EBIT margin was 10.1 per cent (9.4). The increase was driven by strong pricing execution, positive mix and cost savings, partly offset by higher input cost.

Another of Cloetta's long-term targets is to keep the net debt/EBITDA ratio around 2.5x. At 31 December 2022 the net debt/EBITDA ratio was 1.9x (2.0). Cloetta's policy is to have a dividend payout ratio of 40 to 60 per cent of profit for the year. The Board proposes an ordinary dividend of SEK 1.00 per share (1.00), corresponding to 104 per cent (61) of profit for the year, equal to 63 per cent of the profit for the year excluding impact of the impairment and provisions and other items affecting comparability relating to the greenfield facility. As the impairment and provision for the new greenfield is non-cash it has not affected our ability to issue dividends. The ambition is to continue to propose a stable dividend.

Profitable growth
The strategy and financial targets for Cloetta stand firm. The focus in 2023 will be on growth leadership in Branded packaged products, creating sustainable value within Pick & mix as well as driving cost-savings and efficiency activities throughout the entire value chain.

Financial outlook
As in earlier years, Cloetta is not issuing any financial forecast for 2023.

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 2022, Cloetta conducted operations at seven factories in five countries. The Swedish factory in Ljungsbro were subject to reporting requirements according to the Swedish Environmental Code. These permits apply until further notice. There are no injunctions in respect of the Swedish Environmental Code.

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

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

Statutory sustainability report

Pursuant to the Swedish Annual Accounts Act, chapter 6, paragraph 10, Cloetta AB (publ) has chosen to prepare its statutory sustainability report as a separate report from the annual report. The statutory sustainability report consists of pages 6–7, 10–11 (business model), 53–57 (risks and risk management) and 2–3, 9, 22-35, 60-70, 72-73, 138-146 (material sustainability matters, governance and performance indicators).

Risks and risk management

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

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

Organisation for risk management

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

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

Identification of risks

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

Risk management

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

Risk overview

A number of risk areas have been identified through Cloetta's risk management process. A selection of these, and a brief description of how each risk area is handled, is presented on the following pages. The Group's financial risk management is also described in more detail in Note 26, on pages 111–112.

Pages 68–70 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 pages 26–27.

Industry and market-related risks

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

	RISKS Probability	MITIGATION Impact
Market climate	Crises can have a negative impact on consumers' disposable income and consumption patterns. This can affect Cloetta both with lower sales as well as a shift towards more price consciousness that can lead to retail customers experiencing lower profitability, which leads to price pressure. Global pandemics may have a negative impact on consumption patterns as well as a sharp decrease of mobility which lower sales of impulse categories in channels such as convenience stores and travel retail.	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 and our products are also available in discount price channels. To support the customers' business, Cloetta cooperates with its customers on in-store sales activities and other measures. The majority of Cloetta's sales come from grocery stores, which has remained open during a global pandemic as they are considered essential for society. Cloetta has proven to be able to adjusts its business model to cope with the huge changes of consumer behaviour by being agile and adaptable.
Competition	The confectionery market is highly competitive and includes several major players. Furthermore, grocery retailers offer private labels that compete with certain Cloetta products. 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, and Cloetta's strategy to improve profitability may result in losses of major contracts.	This competition means that Cloetta needs to continue on its strategic journey to strengthen its key brands vs competition by good commercial execution, not the least by increasing brand support to competitive levels. Strong brands lead to more sales, can bear premiumisation and demand a price premium. Cloetta competes in the market by a strong consumer focus approach, insights generated will lead to product innovation, product quality, brand recognition and loyalty, marketing investments and in-store execution. 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 will over time likely change the retail landscape substantially. The introduction of self-scanning services in stores might impact sales of Cloetta's products since they are often placed next to regular storecheckouts. As with most consumer-facing companies, major retailers are increasing their efforts on backing climate change and are requesting their suppliers to do the same.	Cloetta's strategic direction to strengthen its key brands and market position, together with a strong sales force and close cooperation with the retail trade enables Cloetta to maintain good relations with the retail trade. Cloetta also works actively with new sales channels. Cloetta has a relatively wide and diversified customer base. 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. Cloetta joined the Science Based Target initiative in 2020, and has committed to reduce its greenhouse gas emissions by 46 per cent by 2030, enabling us to also meet customers' expectations.
Consumer trends Health and Sustainability	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. 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. Claims suggesting 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 has the For You pillar within the sustainability agenda, where we inform consumers about product content and calories, and we work to offer lower sugar or sugar free alternatives next to portion control pack. In general, we do not see a strong consumer trend against confectionery consumption. We also work on dental health propositions to promote dental health. Cloetta's sustainability agenda focuses on social, environmental and consumer-centric areas in order to improve our overall performance and meet the current and future needs of our consumers. Consumers' increased awareness opens an opportunity to inform and be transparent with our sustainability performance. Improving conditions in our supply chain remains a priority, as reflected in our Supplier Code of Conduct . Cloetta sources certified raw materials where this is possible and continuously looks to improve conditions through cooperation with suppliers and NGO's.

	RISKS Probability	MITIGATION Impact
Laws and taxes	Cloetta conducts operations through companies in a number of countries. New laws, taxes or regulations in various markets may lead to restrictions in operations or introduce new and increasing requirements. There is a risk that applicable tax laws, tax treaties and regulations in the different markets will change, or that the interpretations of the same will change, possibly with an adverse retroactive effect.	Cloetta continuously assesses tax and legal developments 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 and tax disputes or uncertainties, are based on an estimation of the related costs. Estimates are made with the support of legal and tax advice where needed and based on the information available. An increased focus on compliance in various areas and the developments related to increasing tax transparency will require more time and resources spent on ensuring such compliance and reporting.
Raw material prices **Cost inflation**	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. Input costs, including for raw materials, packaging, freight, and energy, have been increasing significantly, constituting a risk for negative impact on Cloetta's profitability.	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. Cloetta may choose to deviate from this policy under extraordinary circumstances, should higher flexibility be deemed required. If the average raw material prices had been 10 per cent higher/lower on 31 December 2022, profit before tax for the year would have been around SEK 144m lower/higher. Cloetta's policy is to compensate for higher raw material costs by raising prices to its customers. In a high inflationary environment, Cloetta's strategy is to protect its profitability by compensating for all input costs in absolute terms, also including packaging, freight and energy costs, through price increases towards its customers as well as cost savings and reducing overall energy consumption.
Russia's war in Ukraine	Russia's war in Ukraine that started in 2022 entails risks of further impact on the global economy, further cost inflation, and disruptions in supply chains.	Cloetta does not have any significant direct financial exposure to any of the countries involved. However, the company is being impacted by rising input costs and global supply chain challenges, which are being addressed as commented on in the sections for Raw material prices, Cost inflation, Interest rate risks and Disruption and relocation of product manufacturing.

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	MITIGATION 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 take 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, as well as responsible marketing. Cloetta's Supplier Code of Conduct covers human and labour rights, business ethics and anti-corruption, health and safety, and environmental protection.
Social conditions in the supply chain	Cloetta uses some raw materials that originate from regions or countries with an increased risk of human rights violations and corrupt behaviour. Further, political instability in places where raw materials are produced can have a negative impact on availability and costs.	Cloetta's Supplier Code of Conduct is part of all supplier agreements. Cloetta assesses the raw materials, monitors suppliers for certain materials based on climate, social and human-rights related risks, and prioritises involvement with supporting organisations. 100% of all cocoa purchased is Rainforest Alliance certified. With palm oil-based vegetables oils, Cloetta continues to source 100 % RSPO Certified Segregated palm oil, which is one of the highest standards to ensure that human rights are upheld in sourcing 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. Cloetta participated in a pilot initiative with Rainforest Alliance to close the income gap for cocoa farmers in Africa and will continue the collaboration on the Living Income Fund.

	RISKS Probability	MITIGATION Impact
Environ-mental 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. The climate crisis coincides with a biodiversity crisis and water-crisis, which agriculture is directly impacted by. Climate-related risks are becoming an ever-growing concern among the investment community and new initiatives are receiving more attention.	Cloetta is raising the ambition level to improve its total environmental footprint through the work in our sustainability agenda. The future of agricultural production is 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 stakeholders to find solutions that can tackle this enormous challenge. 100% of all cocoa purchased is Rainforest Alliance certified. With palm oil-based vegetables oils, Cloetta continues to source 100% RSPO Certified Segregated palm oil, which is one of the highest standards to ensure deforestation free and sustainably farmed palm oil. Certification of Cloetta's factories according to this standard has been upheld since 2019. 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 in direct costs, claims for financial compensation and damage to Cloetta's reputation. Cargo may be damaged in transit.	Cloetta has an insurance programme for property and liability risks appropriate to Cloetta's operations and works systematically to limit the risk of incidents and to have robust contingency plans in place to limit the effects of any incidents.
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, shortage of energy supply or raw- and packaging materials, 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. We have also prepared certain scenarios for our plants in case of energy disruptions. Cloetta also has an experienced and efficient organisation with well-established routines for handling.
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. End-users are frequently trained in information security to further increase the awareness.

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 111–112.

	RISKS Probability	MANAGEMENT Impact
Foreign exchange risks	Exchange rate fluctuations affect Cloetta's financial results in connection with buying and selling in different currencies (transaction exposure), and 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 25m (40) higher/lower. The Group hedges parts of its translation exposure through borrowing in euro.
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 2022, Cloetta met its financial target related to a net debt/EBITDA ratio of around 2.5x. Through the term and revolving facilities agreement with the club of banks and the commercial paper programme, Cloetta has a favourable situation for accessing financing, for example for potential acquisitions. In 2022, Cloetta extended its existing multicurrency term and revolving facilities agreement with the banks with one year. During the year, Cloetta also secured financing for the greenfield facility in the Netherlands by entering a new term loan facility and by increasing the multicurrency revolving loan facilities.
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 will incur a higher level of net debt over the years 2023–2026 on the account of the new greenfield facility.	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 2022, 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 7m (1) 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 4m (1) 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 considering that the Group's customer base is diverse and consists mainly of large customers, and because distribution takes place primarily through the major grocery retail chains. Customers are subject to credit assessments in accordance with the credit policy, and receivables balances are monitored continuously. The Group's counterparties in financial transactions are banks and credit institutions with good credit ratings (between AA– and A-1).
Valuation risks	The Group has a number of assets and liabilities that have been valued with the input from or the help of various experts. These include goodwill and trademarks on the asset side and the pension liability and tax liabilities on the liability side.	Assets and liabilities are tested for impairment annually or when there is an indication that such testing may be necessary. Read more in Note 12, Intangible assets on pages 95–96 and Note 30, Critical accounting estimates and judgements on pages 115-116.

Letter from the Chairman

As Chairman of the Board, I am very proud of Cloetta's performance this year, where we delivered record sales levels, improved profitability and sustainability achievements – in a very challenging macro-economic environment following the war in Ukraine. I am also very pleased that the healthy cash flow and strong balance sheet support a dividend proposal in line with prior year.

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 that Cloetta complies with the laws and regulations required by the stock exchange and other regulatory authorities. Corporate governance is aimed at creating systematic orders for the Board and the Group Management Team. Such international norms as the UN Global Compact's ten principles also provide guidance for us, reflected in our policies, guidelines and how we build relationships with our stakeholders. By having a clear structure, with well-defined rules and processes, we can ensure that management and employees focus on developing the business. The Corporate Governance Statement on pages 60–75 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 a robust corporate governance and a strong company culture.

The work of the Board

The mark of the Board's work this past year was the collaborative atmosphere with the Board members bringing a wide variety of valuable perspectives and experiences. During the year we welcomed Malin Jennerholm as new member of the Board, bringing extensive experience and knowledge from the FMCG and confectionery industry to our work. The mix of various competencies in the Board forms a strong unit that adds value to the company, and since the 2022 AGM we held a total of twelve meetings, whereof three were extra board meetings.

During the year, the Board worked closely with the CEO and the Group Management Team to navigate through a year of extraordinary macroeconomic challenges by focusing on what we can control whilst sticking

to our long-term strategy. I am very pleased that we delivered record sales levels for the year, and that we successfully offset significant cost inflation through a combination of strong pricing execution, positive mix and cost savings – while retaining healthy volumes. I would like to emphasise the importance of our initiatives within innovation and marketing that are the fundamentals behind successfully forming strong brands and consumer loyalty. We also reached an important milestone during the year when our new ambitious climate target was approved by the Science Based Targets initiative.

In May, Cloetta announced, after thorough analysis, the intention to invest in a new greenfield facility in the Netherlands and consequently to close three current confectionery factories in Belgium and the Netherlands. This would be a large investment for Cloetta, and the announcement generated questions within the investor community. As a result we hosted an investor event during early fall to further describe the rationale and thoughts behind the proposed plan. Through this investment in a state-of-the-art production platform, we believe Cloetta will achieve a more efficient manufacturing structure with a flexibility to tackle higher labor and energy costs, as well as significant cost savings and further production capacity. At the same time this enables us to continue on our sustainability path and secure and improve on the delivery on Cloetta's long-term profitability target. The Board is convinced that this is the right thing to do for Cloetta to staying strong and relevant in the long-term, and during the month of October we took the decision to proceed with the investment.

In 2022, Cloetta once again delivered very strong cash flow, resulting in a net debt/EBITDA of 1.9x as we closed the year, well below our long-term target of 2.5x. Based on the healthy cash flow and strong balance sheet, the Board proposes a dividend of SEK 1.00 (1.00). This is in line with our previously expressed ambition to continue to propose a stable dividend in line with 2021.

Well positioned to create long-term value

I would like to take this opportunity to thank my colleagues on the Board of Directors for their solid cooperation, constructive contributions and commitment in their work. I would also like to greatly thank our employees and the Group Management Team for their fantastic efforts during this year. The performance this year demonstrates the resilience of our categories and the strength of our brands as well as proves that we have the qualities needed to cope with difficult situations. I am convinced that we will continue to create value for our co-workers, customers, consumers and shareholders for a long time to come.

Stockholm, March 2023

Mikael Norman
Chairman of the Board

Corporate Governance Report

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

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

Framework for corporate governance

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

Application of the Swedish Corporate Governance Code

In 2022, Cloetta complied with the Code, with no deviations.

1 Shareholders

The class B shares of Cloetta AB (publ) have been listed on Nasdaq Stockholm since 16 February 2009 and have been traded on the Mid Cap list since 2 July 2012. Cloetta was originally introduced on the stock exchange in 1994 and has been listed in a number of different owner constellations since then. At 31 December 2022, the number of shares was 288,619,299 of which 282,884,050 were class B shares and 5,735,249 were class A shares. Each class B share corresponds to one vote and each class A share corresponds to ten votes, although all shares carry equal entitlement to the company's assets and profits. At 31 December 2022 Cloetta held 3,213,561 class B shares in treasury. The number of shareholders at 31 December 2022 was 40,032 compared to 35,689 at 31 December 2021. On 31 December 2022, AB Malfors Promotor was Cloetta's largest shareholder, with a holding corresponding to 41.0 per cent of the votes and 30.5 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 41–45.

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.

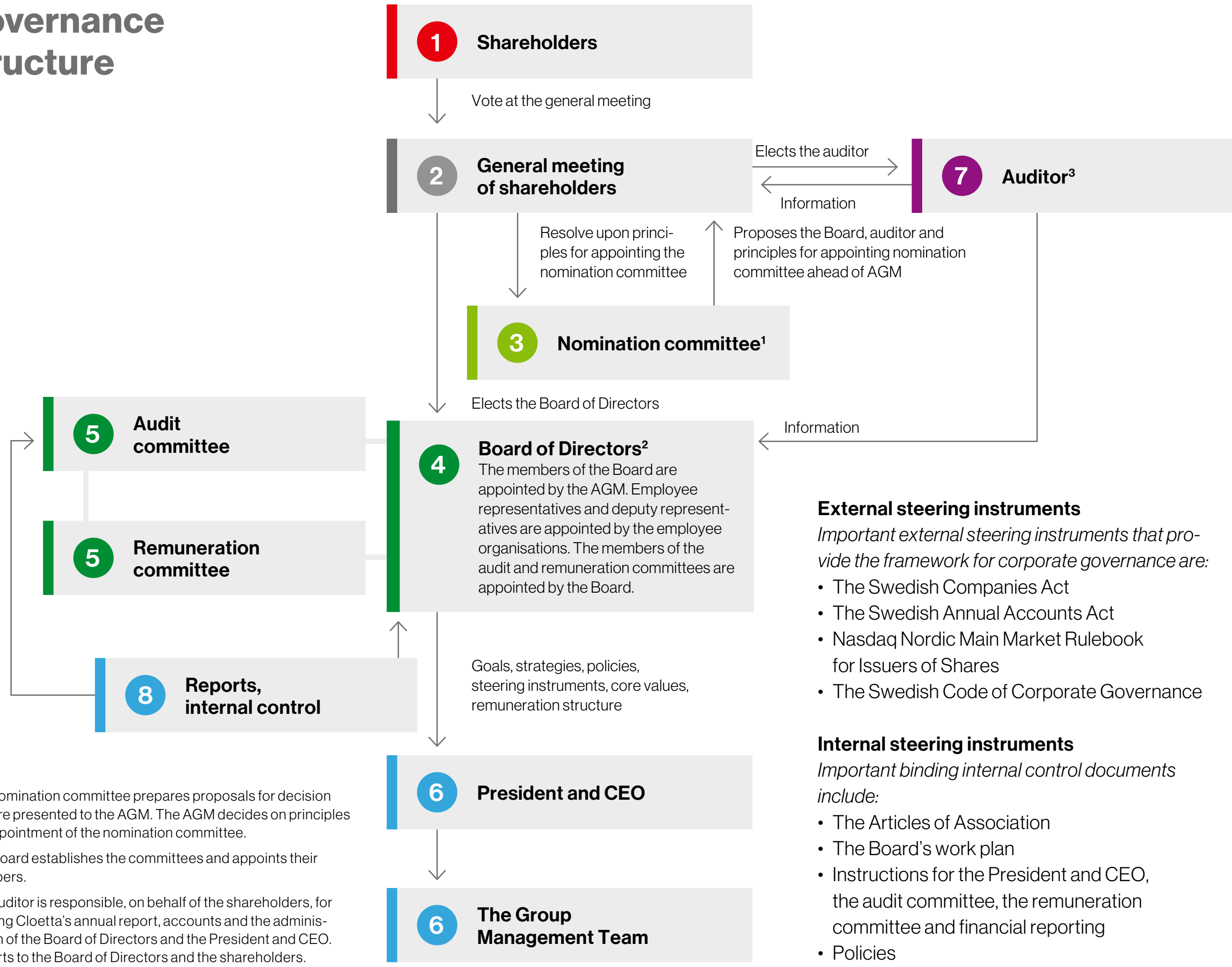
2022 Annual General Meeting

The most recent AGM was held on 6 April 2022 in Stockholm. To prevent the spreading of Covid-19, the meeting was held by a postal voting procedure in accordance with Section 20 and 22 of the Act (2022:121) on temporary exceptions to facilitate the execution of general meetings in companies and other associations. The AGM was held at Cloetta's head office in Sundbyberg with only a few participants including The Chairman of the Board, the CEO and the Group's CFO. All other Board members as well as the Lead Audit Partner of the Group's independent auditor attended via conference call due to the prevailing pandemic.

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

- Adoption of the balance sheet and the profit and loss account
- Approval of the renumeration report
- Appropriation of the earnings of the company through a dividend of SEK 1.00 per share, corresponding to SEK 287,028,670

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

- Discharge of liability of the board members and the President and CEO
- The number of Board members elected by the AGM to be eight
- Re-election of sitting Board members Mikael Norman, Camilla Svenfelt, Mikael Svenfelt, Lottie Knutson, Mikael Aru, Patrick Bergander and Alan McLean Raleigh. Malin Jennerholm was elected as new board member. The AGM re-elected Mikael Norman as the Chairman of the Board. Aside from the members elected by the AGM, the employee organisations PTK and LIVS each appointed an employee representative and LIVS also appointed a deputy representative to the Board
- Setting the Board fees at SEK 730,000 for the Board Chairman and SEK 325,000 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;
- Authorisation for the Board of Directors to resolve upon repurchase of own B-shares as part of long-term incentive plan

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

2023 Annual General Meeting

The 2023 AGM will be held on Tuesday, 4 April 2023, at 3 pm at Courtyard by Marriott Stockholm, Rålambshovsleden 50, Stockholm. The Notice of the Annual General Meeting was published in February 2023 and contained the Board's proposals. For more information, please refer to the section "Annual General Meeting" on page 156 and www.cloetta.com.

3 Nomination committee

Work of the nomination committee

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

Composition of the nomination committee

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

Independence of the nomination committee

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

Shareholder proposals

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

Meetings of the nomination committee

The nomination committee held six meetings ahead of the 2023 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 6 April 2022, the AGM resolved that the Board shall have eight members appointed by the AGM. On 6 April 2022, the AGM elected the following Board members to serve for the period until the end of the next AGM, to be held on 4 April 2023: Mikael Norman (Chairman), Lottie Knutson, Patrick Bergander, Mikael Aru, Mikael Svenfelt, Camilla Svenfelt, Malin Jennerholm 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. All except one of the 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 57 years at year-end and three of the eight are women. For information about the Board members' assignments outside the Group and holdings of shares in Cloetta, see pages 72–73 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

Nomination committee ahead of the 2023 AGM

Members	Appointed by	Independent[1]	Share of votes at 31 Dec 2022, %
Lars Schedin, Chairman	AB Malfors Promotor	Yes/No	41.0
Johan Törnqvist	Ulla Håkanson	Yes/Yes	1.5
Victoria Lidén	Storebrand Fonder AB	Yes/Yes	0.6
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.

Composition of the Board

Elected by the AGM[1]	Nationality	Year elected	Year of birth	Fees[2] Board fees	Fees[2] Committee fees	Independence[3]	Attendance[4] Board meetings	Attendance[4] Audit committee	Attendance[4] Remuneration committee
Chairman									
Mikael Norman	Swedish	2020	1958	730,000	100,000	Yes/Yes	12/12		5/5
Members									
Camilla Svenfelt	Swedish	2016	1981	325,000	100,000	Yes/No	12/12	4/4	
Mikael Aru	Swedish	2017	1953	325,000	100,000	Yes/Yes	11/12	4/4	
Lottie Knutson	Swedish	2015	1964	325,000	-	Yes/Yes	10/12		
Patrick Bergander	Swedish	2019	1971	325,000	150,000	Yes/Yes	11/12	4/4	
Alan McLean Raleigh	British	2018	1959	325,000	100,000	Yes/Yes	12/12		5/5
Mikael Svenfelt	Swedish	2008	1966	325,000	150,000	Yes/No	12/12		5/5
Malin Jennerholm	Swedish	2022	1970	325,000	-	Yes/Yes	12/12		

1) Education and other assignments are shown on pages 72–73.
2) The fees refer to set amounts during the period from the AGM on 6 April 2022 until the AGM on 4 April 2023. Board fees shall be paid in amount of SEK 730,000 (685,000) to the Board Chairman and SEK 325,000 (315,000) to each other board member elected by the AGM. Fees for work on the Board committees will be paid in the amount of SEK 100,000 for each member of the audit committee (unchanged), SEK 150,000 for the Chairman of the audit committee (unchanged), SEK 100,000 for each member of the remuneration committee (unchanged) and SEK 150,000 for the Chairman of the remuneration committee (unchanged); For further details, see Note 7 on page 93.
3) Independent in relation to the company and its Group Management Team/the largest shareholder.
4) Attendance refers to meetings during the period from the statutory meeting following the AGM on 6 April 2022 until the publication of this Annual and Sustainability Report on 9 March 2023.

Board meetings in 2022

JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC

January
Scheduled meeting; Independent Audit Report PwC, HR activities, Q4 interim report incl. analytics and dividend proposal, AGM preparation, Annual and Sustainability report update

March
Scheduled meeting; Annual and Sustainability Report, report from Remuneration Committee, refreshment review

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: Q1 interim report incl. analytics, feedback Audit Committee

May
Extra Board meeting; Decide on investment in a new greenfield facility.
Scheduled meeting; Review of Cloetta Sweden and Denmark, E-commerce review, Pick & mix E-commerce project, Market Share analys, NRM project

July
Scheduled meeting; Q2 interim report incl. analytics, greenfield facility update, report from Audit Committee

September
Scheduled meeting; 5-year plan, strategic role per country, NRM country plans 2023, Greenfield facility update
Extra Board meeting; Greenfield facility update

October
Scheduled meeting; Greenfield facility update, Q3 interim report incl. analytics, Cloetta Board performance survey presentation, reports from Remuneration and Audit Committee

December
Scheduled meeting; Budget/ business plans for the year ahead and bonus targets/ Yardstick 2023

regard to gender, age, nationality and experience, professional background and business expertise. The Nomination Committee endeavours to achieve diversity and gender balance on the Board. This is evaluated each year along with a continuous process to identify future board candidates with relevant backgrounds and experience. The proposed composition of the board more than satisfies the requirements for expertise and experience, in view of the company's operations and future development. The proposed composition also met the applicable requirements including board independence, sufficient experience with listed companies and expertise in accounting and auditing.

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

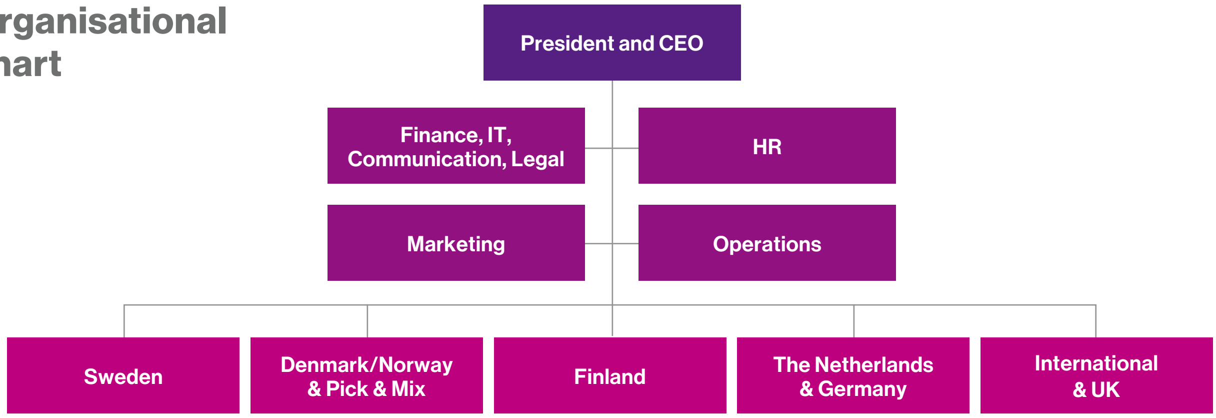
Instructions and policies

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 policy
- Whistleblowing policy
- Anti-bribery and anti-corruption policy
- Trade sanctions policy
- Authorisation framework
- Policy framework

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

Organisational chart



performance, measures that can be taken to improve the efficiency of board work, and whether the Board has a well-balanced mix of competencies. The evaluation provides valuable input for the nomination committee ahead of the AGM.

In October 2022, Cloetta had a digital Board Performance Survey using the company Board portal. The results of the survey have been reported to and discussed by both the Board and the nomination committee.

Board meetings

Since the 2022 AGM, the Board held nine scheduled meetings and three extra Board 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. 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 2022, the audit committee consisted of members Patrick Bergander (Chairman), Camilla Svenfelt and Mikael Aru. The majority of the committee's members shall be independent in relation to the company and its Group Management Team, and at least one of these shall also be independent in relation to the company's major shareholders. At least one member shall be independent and have accounting or auditing expertise. Of the audit committee's three members, all are independent in relation to the company and its Group Management Team, and two are independent in relation to the company's major shareholders. The work of the audit committee is regulated by instructions that have been adopted by the Board as part of its work plan. The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control and risk management regarding financial reporting. In brief, the audit committee, without affecting the other tasks and responsibilities of the Board, shall meet regularly with the company's auditors to remain informed about the focus and scope of the audit. The company's auditor shall be invited to participate in the meetings of the audit committee. The audit committee shall meet at least four times every financial year. At least once a year, the committee shall meet without the presence of any member of the Group Management Team. All audit committee meetings must be documented. The audit committee shall inform the Board about the matters dealt with by the committee. The committee held four meetings in the period between the AGM in 2022 and the publication of this Annual and Sustainability Report.

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board on a yearly basis. One of the members shall be the chairman of the committee. The Board's remuneration committee consists of members Mikael Svenfelt (Chairman), Alan McLean Raleigh and Mikael Norman. The majority of the committee's members shall be independent in relation to the company and its Group Management Team. Of the remuneration committee's members, all three are independent in relation to the company and its Group Management Team. The work of the remuneration committee is regulated by special instructions that have been adopted by the Board as part of its work plan. The main tasks of the remuneration committee are to prepare recommendations to the Board for decisions on remuneration principles, remuneration and other terms of employment for the Group Management Team, to monitor and evaluate programmes for variable remuneration completed during the year and ongoing programmes for the Group Management Team as adopted by the AGM and to monitor the current remuneration structures and levels in the Group. The remuneration committee shall meet at least twice every financial year. The committee has since the AGM in 2022 until the publication of this Annual and Sustainability Report held five meetings.

Chairman of the Board

The Chairman of the Board is elected by the Annual General Meeting and on 6 April 2022 the AGM re-elected Mikael Norman as the Chairman of the Board. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties and has special responsibility for ensuring that the work of the Board is well organised and effectively executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly, and that the nomination committee is informed about the results of this evaluation.

6 President and Group Management Team

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

Henri de Sauvage-Nolting has been President and CEO of Cloetta since 15 February 2017. In addition to the President and CEO, on 31 December 2022 the Group Management Team consisted of the five regional presidents (one also being the Chief Pick & Mix Officer), the President of Operations, the CFO, the CMO and the Senior Vice President Human Resources. For information about the President and CEO and other members of the Group Management Team, see pages 74–75. The Group Management Team holds regular management meetings and held 12 meetings in 2022. The meetings are focused on the Group's strategic and operational development and financial performance.

7 Auditor

The auditor is elected by the AGM to examine the company's annual accounts and accounting records and the administration of the Board of Directors and the President and CEO. The auditor's reporting to the shareholders takes place at the AGM through the presentation of the auditor's report. At the AGM on 6 April 2022, the registered public accounting firm Öhrlings PricewaterhouseCoopers AB ("PwC") was re-appointed as the auditor for the company for the period until the next AGM. The authorised public accountant Sofia Götmar-Blomstedt was elected to continue as the Lead Audit Partner.

8 Financial reporting

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

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

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

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

Additional information

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

Press releases 2022

January
- Invitation to webcasted telephone conference of Cloetta AB's year-end report 2021
- Cloetta AB interim report Q4: October – December 2021

February
- The Nomination Committee proposes Malin Jennerholm as new director of the Board of Directors of Cloetta AB

March
- Notice of the Annual General Meeting of Cloetta AB (publ)
- Cloetta's Annual Report 2021 available on the website

April
- Annual General Meeting of Cloetta AB (publ) on 6 April 2022
- Invitation to conference call with web presentation of Cloetta AB's interim report Q1 2022
- Cloetta AB interim report Q1: January – March 2022

May
- Cloetta plans to invest in a new sustainable greenfield facility in the Netherlands to enable growth and accelerate margin expansion

July
- Invitation to conference call with web presentation of Cloetta AB's interim report Q2 2022
- Cloetta steps up commitment to climate action with approved science-based targets
- Cloetta AB (publ) to repurchase own B-shares as part of long-term incentive plan
- Cloetta AB interim report Q2: April – June 2022

September
- Invitation to Cloetta's investor event
- Nomination committee appointed ahead of 2023 Annual General Meeting of Cloetta AB (publ)
- Cloetta updates on greenfield investment and confirms ambition to propose continued stable dividend

October
- Invitation to conference call with web presentation of Cloetta AB's interim report Q3 2022
- Cloetta AB interim report Q3: July – September 2022

Remuneration of the Group Management Team

Guidelines for remuneration of Group Management Team

The current guidelines for remuneration of the Group Management Team were adopted by the AGM on 6 April 2021. The total remuneration shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. In addition to base salary, remuneration of the President and CEO, other members of the Group Management Team and other executives reporting directly to the President and CEO can include: short-term variable compensation, share-based long-term variable compensation, pension benefits, termination benefits and other benefits.

Short-term variable compensation

Short-term variable compensation is linked to specific business targets and is derived from the annual business plan approved by the Board of Directors. The short-term variable compensation is delivered through a cash-based bonus programme. Short-term variable compensation is based on personal targets linked directly or indirectly, to the achievement of the financial targets set by Cloetta's Board of Directors.

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 consist 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 2022

In 2022, the total remuneration of the Group Management Team including the President and CEO amounted to SEK 66,320 thousand (50,386) including pension benefits, and SEK 58,695 thousand (43,458) excluding pension benefits.

Share-based long-term incentive plan for senior executives

On 6 April 2022, 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 45 and Notes 23 and 28 for more information about share-based payment.

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

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

The remuneration committee is also entrusted with the task of monitoring and evaluating programmes for variable remuneration of the Group Management Team, application of the guidelines for remuneration adopted by the AGM and the current remuneration structures and remuneration levels in the company. Pursuant to paragraph 9.1, points 2 and 3 of the Swedish Code 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 – the Group Management Team

Costs incurred in 2022 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	5,450	4,959	1,819	82	12,310	1,635	13,945
Other Group Management Team[1]	23,422	14,166	7,594	1,203	46,385	5,990	52,375
Total	**28,872**	**19,125**	**9,413**	**1,285**	**58,695**	**7,625**	**66,320**
of which, Parent Company	*13,264*	*10,205*	*4,385*	*412*	*28,266*	*3,979*	*32,245*
Amount paid in 2022							
Henri de Sauvage-Nolting, President and CEO	5,450	5,200	0	82	10,732	1,635	12,367
Other Group Management Team[1]	23,430	15,471	0	1,203	40,104	5,990	46,094
Total	**28,880**	**20,671**	**0**	**1,285**	**50,836**	**7,625**	**58,461**
of which, Parent Company	*13,247*	*10,495*	*0*	*412*	*24,154*	*3,979*	*28,133*

Costs incurred in 2021 SEK Thousand	Base salary	Short-term variable compensation incurred in the year, expected to be paid out in the next year	Share-based long-term variable compensation	Other benefits	Subtotal	Pension costs	Total
Henri de Sauvage-Nolting, President and CEO	5,200	5,075	-1,048	94	9,321	1,560	10,881
Other Group Management Team[1]	22,499	14,648	-4,202	1,192	34,137	5,368	39,505
Total	**27,699**	**19,723**	**-5,250**	**1,286**	**43,458**	**6,928**	**50,386**
of which, Parent Company	*12,549*	*10,502*	*-1,938*	*397*	*21,510*	*3,743*	*25,253*
Amount paid in 2021							
Henri de Sauvage-Nolting, President and CEO	5,200	5	388	94	5,687	1,560	7,247
Other Group Management Team[1]	22,499	52	1,259	1,192	25,002	5,368	30,370
Total	**27,699**	**57**	**1,647**	**1,286**	**30,689**	**6,928**	**37,617**
of which, Parent Company	*12,549*	*21*	*560*	*397*	*13,527*	*3,743*	*17,270*

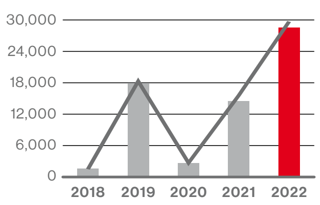
1) Other Group Management Team comprised 10 persons for the period 1 January 2020 up to 31 March 2021. As from 1 April 2021, other Group Management Team consisted of 9 persons.

Remuneration of the President and CEO for the financial year 2022 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 2022 AGM, the remuneration committee has met on five occasions. The current guidelines for remuneration to the Group Management Team was adopted at the AGM on 6 April 2021 and new guidelines have been proposed to the AGM in 2023.

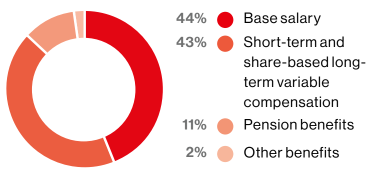
In accordance with the remuneration guidelines, the Board may temporarily deviate from the remuneration guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests. The Board has assessed that an adjusted performance measure is a better measure of Management's performance than the reported result, and has consequently chosen to use an adjusted performance measure as the basis for the examination of whether any variable salary shall be paid. This may be considered as a deviation in relation to how the current remuneration guidelines are formulated. The Board considers that the application is a necessary deviation to serve the company's long-term interests.

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

Total variable remuneration (costs incurred) of the Group Management Team incl. the President and CEO



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



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

The full principles for remuneration of the Group Management Team in 2023 will be presented ahead of the AGM on 4 April 2023. The proposed guidelines for remuneration mean that the variable salary shall be linked, directly or indirectly, to the achievement of Cloetta's long-term financial targets, without it being necessary that the profit for the year, or that the other financial targets, exceed the previous year's results, even if the starting point when deciding on payment of variable salary shall be that the adjusted profit for the year exceeds the previous year's adjusted profit.

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

Financial reporting competencies

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

Human Resources (HR)

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

Risk assessment

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

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

Certain specific risks, for example risks related to taxes and legal matters and other financial risks, are reviewed proactively on a periodic basis. Risks and risk management are reported on separately in more detail in the Annual and Sustainability report, on pages 54–58. Tax, legal and other financial risks are reflected based on management's best estimate and judgement, and in accordance with the applicable

Basis for risk assessment

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

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

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

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

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

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

Control activities

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

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

Process for financial reporting

Monthly

Collection of information
Local units report monthly according to an established time-frame in compliance with the applicable laws, regulations and accounting practices and the Group's accounting manual.

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

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

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

Quarterly

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

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

Monitoring and improvement

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

Reporting routines

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

Local management teams report their financial results periodically and in accordance with the Group's accounting and reporting policies. This reporting is the basis for Cloetta's internal and external reporting and serves as a basis for legal and business reviews. The business reviews are carried out according to a structure in which sales, earnings, cash flow and other key ratios and trends of importance to the Group are compiled and form a basis for analysis and actions by the management and controllers at different levels. Other important and group-wide components of internal control and reporting routines include the annual business planning process and the monthly and quarterly forecasts.

To ensure the efficiency of internal control over financial reporting, reviews are carried out by the Board of Directors, the audit committee, the President and CEO, the Group Management Team, the central finance and treasury team and the Group's various subsidiaries. Every month, financial reports are reviewed against budget and established targets, and the results of self-assessments in the Group's companies are reported. This review includes follow-up of observations that are reported by Cloetta's auditor.

The company's financial situation is discussed at each Board of Directors meeting. The Board's audit committee has important monitoring and control duties with regard to loans, investments, financial management, financial reporting and internal control. The audit committee and Board of Directors review and formally approve interim reports and the Annual and Sustainability Report prior to publication. In addition, the audit committee receives regular reports from the independent auditor.

Communication

Internal communication

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

External communication

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

External communication is carried out in accordance with legal requirements and the Corporate Communications and IR policy.

Evaluation of the need for a separate internal audit function

There is currently no internal audit function at Cloetta. The Board of Directors has reviewed this matter and determined that the existing structures for monitoring and evaluation provide a satisfactory basis for control. For certain special internal audit activities, external resources are used.


VEGAN
Läkerol
PASTILLES
SUGARFREE & SPRINKLED
YUP
SALTY LICORICE
NATURAL FLAVOURS
VEGAN
Läkerol
PASTILLES
SUGARFREE & SPRINKLED
YUP
WILD SOUR
NATURAL FLAVOURS
VEGAN
Läkerol
PASTILLES
SUGARFREE & SPRINKLED
YUP
mix
STRAWBERRY LIME & SOUR PEACH
NATURAL FLAVOURS AND COLOURS
VEGAN
Läkerol
PASTILLES
SUGARFREE & SPRINKLED
YUP
mix
SALTY CARAMEL & SALMIAK
NATURAL FLAVOURS

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.

Other assignments: –

Previous assignments: Chairman of the board of Bonava AB, CFO of Nobia AB, Group Financial Controller and several other roles at Electrolux AB, Tax lawyer at PricewaterhouseCoopers and Judge in the County Administrative Court and Administrative Court of Appeal in Stockholm.

Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes

Shareholding: Direct: 50,000 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.

Other assignments: Chairman of the board at AB Axel Granlund, Board member of AB Stenströms Skjortfabrik, Bröderna Börjessons Bil AB, Viva Wine Group 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: CEO of Nordic Tyre Group, Board member of SPP Pension & Försäkring AB.

Previous assignments: CFO of Rosti Group, CEO and CFO RSA Scandinavia (Codan/Trygg-Hansa), Several positions at Electrolux, including 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: –

Malin Jennerholm

Position: Member of the Board

Elected: 2022

Year of birth: 1970

Nationality: Swedish

Education: B.Sc. in Business Administration and Economics from School of Business, Economics and Law at the University of Gothenburg.

Other assignments: CEO Svenska Retursystem AB and board member of Sweden Food Arena.

Previous assignments: Board member of Livsmedelsföretagen. CEO at Orkla Confectionery & Snacks Sweden, General Manager Professional Nordics at Jacobs Douwe Egberts and various positions at Mondelez International and Kraft Foods.

Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes

Shareholding: Direct: 2,000 class B shares
Related parties: –

Lottie Knutson

Position: Member of the Board

Elected: 2015

Year of birth: 1964

Nationality: Swedish

Education: Journalism, Stockholm school of Media and Journalism, and Diplôme de Culture Francaise, L'Université Paris IV.

Other assignments: Board member of Stena Line and STS Alpresor, writer and advisor in the areas of leadership, change and crisis management and tourism.

Previous assignments: Board member of Swedavia and Scandic Hotels. Director of Communications at Fritidsresor Group for the Nordic countries, at SAS Group's communications department, journalist at the Swedish newspaper Svenska Dagbladet and communications consultant at JKL and others.

Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes

Shareholding: Direct: 2,200 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

Other assignments: Board Chairman of Robinson plc.

Previous assignments: Trustee on the Board of the Chartered Institute of Procurement and Supply (CIPS), Executive Vice President, Personal Care Supply Chain, Unilever.

Independence:
In relation to major shareholders: Yes
In relation to the company and management: Yes

Shareholding: Direct: 8,144 Class B shares
Related parties: –

Camilla Svenfelt

Position: Member of the Board
Member of the Audit Committee

Elected: 2016
Year of birth: 1981
Nationality: Swedish
Education: Bachelor of Science in Social Work and courses in business administration, labour market economics and management, Stockholm University.
Other assignments: Board member of AB Malfors Promotor and a deputy board member of the Hjalmar Svenfelt Foundation, Accounting supervisor at AB Malfors Promotor.
Previous assignments: –
Independence:
In relation to major shareholders: No
In relation to the company and management: Yes
Shareholding: Class A shares, Direct: 60
Related parties: 5,792,569
Class B shares, Direct: 498,485
Related parties: 82,278,068

Mikael Svenfelt

Position: Member of the Board
Chairman of the Remuneration Committee

Elected: 2008
Year of birth: 1966
Nationality: Swedish
Education: Marketing and Business Economics, Tibbleskolan and Law studies, Folkuniversitetet.
Other assignments: CEO and Board member of AB Malfors Promotor.
Previous assignments: Senior positions in Nicator Group, Dell Financial Services, GE Capital Equipment Finance AB, and Rollox AB, Board Chairman of Fjärilshuset Haga Trädgård AB, Board member of Fjärilshuset Haga Trädgård Café AB.
Independence:
In relation to major shareholders: No
In relation to the company and management: Yes
Shareholding: Class A shares, Direct: 25
Related parties: 5,729,569
Class B shares, Direct: 47,535
Related parties: 82,199,973

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: 35,000 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: –

Shareholding stated as at 31 December 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, M.Sc., Chemical Engineering, Technical University of Twente, and Post Doc in Business Administration, University of Leuven.

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: 133,563 class B shares
Related parties: –

Frans Rydén

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

Year of birth: 1972

Nationality: Swedish

Education: BSc. Business Administration and Degree of Master of Laws, LL.M, Stockholm University.

Other assignments: –

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

Shareholding: Direct: 99,346 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.

Other assignments: –

Previous positions: SVP Human Resources and Communications Scandinavia at Cloetta/LEAF, 2004–2014. SVP Human Resources Nordic at Findus, 2000–2004, HR Manager Sweden/Nordic at Nestlé, 1995–2000, Trainee, Product Manager, Human Resources Manager, Marketing Manager at Mars Sweden and UK, 1987–1995.

Shareholding: Direct: 49,320 class B shares
Related parties: –

Thomas Biesterfeldt

Position: Chief Marketing Officer – CMO (Marketing, Innovation and Sustainability) since 2018.
Employed by Cloetta since 2018.

Year of birth: 1980

Nationality: German

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

Other assignments: –

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

Shareholding: Direct: 19,849 class B shares
Related parties: –

Ewald Frenay

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

Year of birth: 1963

Nationality: Dutch

Education: M.Sc. Economics, Erasmus University.

Other assignments: –

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

Shareholding: Direct: 37,983 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.

Other assignments: –

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

Shareholding: Direct: 23,834 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 and B.Sc. Food Technology, van Hall Institute.

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: 51,767 class B shares
Related parties: –

Ville Perho

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

Year of birth: 1979

Nationality: Finnish

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

Other assignments: Co-owner and Board member of Varastoaura Oy.

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

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

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. Master in Food Nutrition, Umeå University.

Other assignments: Board member of Svensk Plast-industri i Motala and 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: 61,251 class B shares
Related parties: –

Niklas Truedsson

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

Year of birth: 1972

Nationality: Swedish

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

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: 22,606 class B shares
Related parties: –

“Prepping for adventures

Financial reports

Contents

Consolidated financial statements

Consolidated profit and loss account

SEKm	Note	2022	2021
Net sales	2,3	6,869	6,046
Cost of goods sold	4, 5, 6, 8	-4,738	-3,898
Gross profit		**2,131**	**2,148**
Selling expenses	4, 5, 6, 8	-1,009	-938
General and administrative expenses	4, 5, 6, 8, 11	-656	-645
Operating profit		**466**	**565**
Exchange differences on cash and cash equivalents in foreign currencies	9	-143	33
Other financial income	9	83	9
Other financial expenses	9	-63	-49
Net financial items		**-123**	**-7**
Profit before tax		**343**	**558**
Income tax	10	-68	-86
Profit for the year		**275**	**472**
Profit for the year attributable to:			
Owners of the Parent Company		275	472
Earnings per share, SEK			
Basic and diluted[1]	20	0.96	1.64
Number of shares outstanding at end of period[1]	20	285,405,738	287,028,670
Average number of shares (basic)[1]	20	286,806,351	287,480,924
Average number of shares (diluted)[1]	20	286,890,237	287,518,726

1) During 1 till 9 November 2021 and during 31 October till 23 November 2022 Cloetta purchased 1,590,629 and 1,622,932 treasury shares respectively to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan, if vesting conditions are met.

Consolidated statement of comprehensive income

SEKm	2022	2021
Profit for the year	**275**	**472**
Other comprehensive income		
Remeasurements of defined benefit pension plans	153	9
Income tax on remeasurement of defined benefit pension plans	-32	-2
Items that will never be reclassified to profit or loss for the period	**121**	**7**
Currency translation differences	496	120
Hedge of a net investment in a foreign operation	-130	-24
Income tax on hedge of a net investment in a foreign operation	25	5
Items that are or may be reclassified to profit or loss for the period	**391**	**101**
Total other comprehensive income	**512**	**108**
Total comprehensive income, net of tax	**787**	**580**
Total comprehensive income for the period attributable to:		
Owners of the Parent Company	787	580

Consolidated balance sheet

SEKm	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	12	5,883	5,582
Property, plant and equipment	13	1,581	1,576
Deferred tax asset	14	43	42
Derivative financial instruments	22	25	2
Other financial assets	15	3	5
Total non-current assets		**7,535**	**7,207**
Current assets			
Inventories	16	1,090	843
Trade and other receivables	17	1,030	787
Current income tax assets	14	44	19
Derivative financial instruments	22	34	1
Cash and cash equivalents	18	583	692
Total current assets		**2,781**	**2,342**
Total assets		**10,316**	**9,549**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,443	1,443
Other paid-in capital	19	4,124	4,124
Treasury shares	19	-78	-44
Foreign currency translation reserve	19	1,157	661
Retained earnings including profit for the year	19	-1,652	-1,669
Equity attributable to owners of the Parent Company		**4,994**	**4,515**
Non-current liabilities			
Long-term borrowings	21	2,277	2,162
Deferred tax liability	14	884	863
Provisions for pensions and other long-term employee benefits	23	345	505
Provisions	24	107	-
Total non-current liabilities		**3,613**	**3,530**
Current liabilities			
Short-term borrowings	21	207	206
Derivative financial instruments	22	-	0
Trade and other payables	25	1,419	1,267
Provisions	24	6	5
Current income tax liabilities	14	77	26
Total current liabilities		**1,709**	**1,504**
Total equity and liabilities		**10,316**	**9,549**

Consolidated statement of changes in equity

SEKm	Share capital	Other paid-in capital	Treasury shares	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2021	**1,443**	**4,124**	**-**	**541**	**-1,955**	**4,153**
Comprehensive income						
Profit for the year	-	-	-	-	472	472
Other comprehensive income	-	-	-	120	-12	108
Total comprehensive income for 2021	**-**	**-**	**-**	**120**	**460**	**580**
Transactions with owners						
Purchase of treasury shares	-	-	-44	-	-	-44
Forward contracts to repurchase own shares	-	-	-	-	48	48
Share-based payments	-	-	-	-	-7	-7
Dividend[1]	-	-	-	-	-216	-216
Dividend on outstanding shares in forward contracts to repurchase own shares	-	-	-	-	1	1
Total transactions with owners	**-**	**-**	**-44**	**-**	**-174**	**-218**
Balance at 31 December 2021	**1,443**	**4,124**	**-44**	**661**	**-1,669**	**4,515**
Comprehensive income						
Profit for the year	-	-	-	-	275	275
Other comprehensive income	-	-	-	496	16	512
Total comprehensive income for 2022	**-**	**-**	**-**	**496**	**291**	**787**
Transactions with owners						
Purchase of treasury shares	-	-	-34	-	-	-34
Share-based payments	-	-	-	-	13	13
Dividend[1]	-	-	-	-	-287	-287
Total transactions with owners	**-**	**-**	**-34**	**-**	**-274**	**-308**
Balance at 31 December 2022	**1,443**	**4,124**	**-78**	**1,157**	**-1,652**	**4,994**

1) The dividend paid in 2022 comprised an ordinary dividend of SEK 1.00 per share. The dividend paid in 2021 comprised an ordinary dividend of SEK 0.75 per share.

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

Consolidated cash flow statement

SEKm	Note	2022	2021
Operating profit		**466**	**565**
Adjustments for non-cash items			
Amortisation and depreciation of assets	4	262	260
Impairment of assets	4	136	1
Provisions for pensions		-11	-4
Other provisions and contingent earn-out considerations		102	-20
Interest received		21	2
Interest paid		-54	-35
Proceeds on derivative financial instruments		4	-4
Income tax paid		-104	-90
Cash flow from operating activities before changes in working capital		**822**	**675**
Changes in working capital			
Change in inventories		-197	123
Change in trade and other receivables		-201	-44
Change in trade and other payables		95	104
Cash flow from changes in working capital		**-303**	**183**
Cash flow from operating activities		**519**	**858**
Investing activities			
Investments in property, plant and equipment	13	-212	-193
Investments in intangible assets	12	-2	-1
Disposals of property, plant and equipment	13	1	3
Cash flow from investing activities		**-213**	**-191**
Cash flow from operating and investing activities		**306**	**667**
Financing activities			
Proceeds from commercial papers	21	597	750
Transaction costs paid	21	-9	-8
Repayment of commercial papers	21	-598	-849
Payment of lease liabilities	21	-75	-69
Dividends paid	19	-287	-215
Purchase of treasury shares	19	-34	-44
Other cash flow from financing activities		-	-1
Cash flow from financing activities		**-406**	**-436**
Cash flow for the year		**-100**	**231**
Cash and cash equivalents at beginning of year	18	**692**	**396**
Cash flow for the year		-100	231
Exchange difference		-9	65
Cash and cash equivalents at end of year	18	**583**	**692**

Notes to the consolidated financial statements

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

General information

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

Financial year

The consolidated financial statements for the financial year from 1 January to 31 December 2022 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 9 March 2023. The profit and loss accounts and balance sheets of the Group and the Parent Company will be put before the Annual General Meeting on 4 April 2023 for adoption.

Disclosures regarding changes in group structure

Incorporations

- On 27 April 2021, Candy Express ApS was incorporated

Liquidations and dissolutions

- On 16 March 2021, Cloetta UK Dormant Ltd. was dissolved
- On 3 June 2021, Candymix Ireland Ltd. was dissolved
- On 13 February 2023, Cloetta Ireland Holding Ltd. was struck off

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 2022. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

Guidelines on Alternative Performance Measures

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

Activities

The activities of the Group mainly comprise:

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

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

Basis of presentation

Assets and liabilities are recognised at historical cost, with the exception of certain financial assets and liabilities that are stated at fair value according to the accounting policies described below.

Unless otherwise stated, all amounts are rounded to the nearest million Swedish krona.

The preparation of financial statements in conformity with IFRS requires management to use certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and a number of other factors that are considered reasonable under the given circumstances. The results of these estimates and assumptions are used to make judgements about the carrying value of assets and liabilities that cannot be readily determined from other sources. Actual results may differ from these estimates and assumptions. The estimates and assumptions are reviewed on an ongoing basis. Changes in estimates are reported in the period of the change, if the change affects that period only. Changes in estimates are reported in the period of the change and in future periods, if the change affects both.

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

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

Segment reporting

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

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

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

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

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

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

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

Classification

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

Basis of consolidation

Group structure

The company was originally founded in 1862. On 16 February 2012, Cloetta AB (publ) acquired Leaf Holland B.V. (currently known as Cloetta Holland B.V.) from Yllop Holding S.A. The acquisition has been accounted for as a reverse acquisition for consolidation purposes, where Cloetta Holland B.V. is the accounting acquirer and Cloetta AB (publ) is the legal acquirer.

All incorporated and acquired companies are wholly owned directly or indirectly by Cloetta AB (publ) and are consolidated from the date on which control is transferred.

Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. If the business combination is realised in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the profit and loss account.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Any subsequent change to the fair value of the contingent consideration that is deemed to be a liability is recognised in accordance with IAS 32 in the case of the forward purchase of shares, or IFRS 9 either in the profit and loss account or as a change to other comprehensive income only if it is an asset which is classified as available for sale. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

Transactions eliminated on consolidation

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

Foreign currency

Functional and presentation currency

Items included in the financial information of each entity are measured using the functional currency of that entity, which is the currency of the primary economic environment in which the entity operates. The functional currency of foreign entities is generally its local currency. The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company.

The consolidated financial statements are presented in SEK. The functional currency of the majority of the subsidiaries is the euro (EUR). The assets and liabilities are translated at the closing rate at the date of the financial statements. Income and expenses are translated at the average exchange rate for the year.

Transactions and balances

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

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

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

A monetary item held by a subsidiary, that is a receivable from or a payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future, is in substance a part of the entity's net investment in that foreign operation. Foreign currency differences related to a foreign operation are initially recognised in other comprehensive income and reclassified from equity to the profit and loss account on disposal of the net investment. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation, recognised in other comprehensive income, is reclassified from equity to the profit and loss account on the same line where the gain or loss of the disposal is accounted for.

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

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

Financial statements of foreign operations

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

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

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

Basis of accounting

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:

The balance sheet, profit and loss account and cash flow statement include references to the notes.

Recognition of revenue and expenses

I Net sales

Net sales are designated as income from the supply of goods and services, less discounts and similar, excluding sales taxes and after elimination of intra-group sales. Net sales are recognised as follows:

- Sales of goods are recognised when a group company has delivered products to the customer, the risks and rewards of the ownership of the products have been substantially transferred to the customer and the collectability of the related receivables is reasonably certain

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

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

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

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

These consumer incentive and trade promotion activities consist of:

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

For the estimation of the variable considerations related to the various agreements Cloetta is using the expected-value-method and the most-likely-amount-method. The method used for the calculation of a specific variable consideration is the method that is expected to best predict the amount of consideration to which Cloetta will be entitled based on the terms of the contract. The chosen method is applied consistently throughout the contract.

II Cost of goods sold

Cost of goods sold represents the direct and indirect expenses attributable to sales revenue, including raw materials and consumables, cost of work contracted out and other external expenses, personnel expenses in respect of production employees, depreciation costs, impairment losses and losses on disposal relating to buildings and machinery and other operating expenses that are attributable to the production of products. Cost of goods sold is recognised in the profit and loss account, simultaneously with the income derived from the related sales transaction.

III Other income

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

IV Government support

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

V Selling expenses

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

VI General and administrative expenses

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

VII Employee remuneration

Regular payments

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

Termination benefits

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

Share-based long-term incentive plans

The cost of the share-based long-term incentive plans, which represents the grant date fair value of the shares expected to be vested, multiplied by the shares vested and any social security expenses, is recognised in personnel expenses, which are included either in cost of goods sold, selling expenses or general and administrative expenses in the profit and loss account. The cost of the share-based long-term incentive plans is recognised pro rata over the vesting period of each plan.

VIII Research and development expenses

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

IX Net financial items

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

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

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

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

X Income tax

The income tax expense for the period comprises current and deferred tax and is recognised in the profit and loss account. Corporate income tax is calculated on profit before tax in the profit and loss account, taking into account non-deductible expenses, non-taxable profits and losses, temporary differences arising from applicable local tax laws and other factors that affect the tax rate, e.g. changes in valuation allowances, adjustments in tax positions and changes in tax law, such as changes in enacted or substantively enacted tax rates.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable profits.

XI Dividend distribution

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

XII Items affecting comparability

Items affecting comparability are those significant items which are separately disclosed in the notes to the financial statements by virtue of their size or incidence, in order to enable a full understanding of the Group's financial performance. Items affecting comparability are recognised in the profit and loss account. Their classification in the profit and loss account depends on the nature of the items affecting comparability.

Principles of valuation of assets and liabilities

General

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

XIII Intangible assets

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

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

Trademarks

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

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. A CGU is the lowest level to which an asset that generates cash flows independently from other assets can be allocated. In addition to the presentation of information following the primary segmentation of branded packaged business versus pick & mix, information is also presented per geography. The internal reporting format by geography provides the most relevant information for the groups of CGUs that benefit the most from acquisitions. As a result, the groups of CGUs used for impairment testing of goodwill do not constitute operating segments as described on page 83. 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 whenever events or circumstances indicate a risk of impairment.

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

Other intangible assets

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

Other intangible assets, except the right of free electricity, contain acquired customer lists and capitalised registration fees, and are capitalised at historical cost and amortised based on their useful lives, with the useful lives reviewed annually. Other intangible assets are subject to impairment testing at least annually, or whenever events or circumstances indicate a risk of impairment.

For determining whether an impairment charge in respect of any intangible asset applies, see Note 12.

XIV Property, plant and equipment

Items of property, plant and equipment are valued at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes direct costs (materials, direct labour and work contracted out) and directly attributable overhead costs including interest expenses. Depreciation is accounted for using the straight-line method on the basis of the estimated economic useful life.

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

Land	Indefinite
Buildings	20–50 years
Machinery and equipment	3–55 years
PP&E under construction	n/a
Right-of-use assets	1–31 years

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

Subsidies and grants related to investments in property, plant and equipment are deducted from the historical cost or the construction cost of the related asset and are reflected in the profit and loss account as part of the depreciation charge.

PP&E under construction is not depreciated until the asset is substantially complete and ready for its intended use. PP&E under construction is subject to impairment testing whenever events or circumstances indicate a risk of impairment.

Depreciation of property, plant and equipment is recognised in cost of goods sold, selling expenses and general and administrative expenses in the profit and loss account depending on the nature of the asset.

XV Deferred tax

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

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

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

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

Deferred income tax liabilities arise on taxable temporary differences from investments in subsidiaries, with the exception of deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The positions taken in tax returns with respect to situations where the applicable tax rules are subject to interpretation are periodically evaluated. Provisions are established where appropriate on the basis of amounts expected to be paid to the respective tax authorities.

Deferred taxes are not discounted.

XVI Financial assets

Recognition and initial measurement

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

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

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

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

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

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

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

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

Subsequent measurement and gains and losses	
– Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 22 for derivatives designated as hedging instruments.
– Financial assets at amortised costs	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

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

XVII Impairment of non-current non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. On the balance sheet date, the Group also assesses whether there are indications of impairment of assets that are subject to amortisation or depreciation. If such indications exist, an impairment test is performed. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An asset is subject to impairment if its carrying value is higher than its recoverable value, where the recoverable value is the higher of an asset's fair value less cost of disposal and its value in use. Impairment costs are recognised immediately in the profit and loss account. The classification in the profit and loss account depends on the nature of the impaired asset.

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

XVIII Derivative financial instruments and hedging activities

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

The fair values of various derivative financial instruments are disclosed in Note 22. Movements in the hedging reserve in other comprehensive income are shown in the statement of other comprehensive income. The fair value of a derivative is classified as a non-current asset or liability for the part which exceeds 12 months, and as a current asset or liability for the part that will expire within 12 months.

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

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

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

Net investment hedge

The Group applies hedge accounting. At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

XIX Inventories

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

Inventories of semi-finished and finished products are stated at the lower of cost or net realisable value. Costs represent the cash equivalent of the expenditure necessarily incurred to bring the goods acquired to the condition and location for their intended use. Costs related to work in progress and finished goods include the applicable materials and labour costs, other direct costs, a representative share of the fixed manufacturing overhead costs based on normal operating capacity, and variable manufacturing overhead costs based on actual production during the period.

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

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

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

XX Current income tax

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

XXI Cash and cash equivalents

Cash and cash equivalents represent cash in hand and cash at banks.

Current account overdrafts at banks are included under borrowings under the heading current liabilities.

XXII Offsetting financial instruments

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

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

XXIII Equity

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

XXIV Provisions

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

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

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

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

If the expenditure to settle an obligation is expected to be recovered from a third party, the recovery is carried as an asset in the balance sheet if it is virtually certain to be received upon settlement of the obligation.

XXV Employee benefits

Pension obligations

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

Remeasurements arising from defined benefit plans also include the return on plan assets excluding interest and the effect of the asset ceiling, if any, excluding interest. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions 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. A curtailment will be recogniesed when there is a significant reduction of the number of employees covered by a plan. This might result from an isolated event, such as the closing of a plant, discontinuance of an operations or termination of suspension of a plan.

The interest on defined benefit obligations and plan assets is recognised in net financial items in the profit and loss account when incurred.

The defined benefit schemes in industry sector pension funds, which are held by pension funds that are not able to provide company-specific or reliable information, are accounted for as though they are defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

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

Termination benefits

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

Share-based payments

Share-based long-term incentive plans

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

The total expense depends on the number of share rights vested, but any changes in the price of the Cloetta share after the grant date do not impact the total expense. In some jurisdictions, social security expenses have to be paid. The total expense for social security contributions will be based on the vesting date fair value of the Cloetta share and is accrued on the balance sheet until vesting of the shares. Social security expenses recognised in the profit and loss account will therefore vary with changes in the share price.

Forward contracts to repurchase own shares

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

XXVI Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case they are classified as non-current liabilities.

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

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

XXVII Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in other financial expenses in the profit and loss account in the period in which they are incurred.

XXVIII Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are classified as current liabilities if payment is due within one year or less. If payment is expected to be settled later than 12 months after the balance sheet date, the payable is presented as non-current liabilities.

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

XXIX Leases

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

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

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

Note 2 Business segments

See Note 1, section "Segment reporting" on pages 83–84 for further explanation regarding identification of segments.

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

2022 SEKm	Branded packaged products	Pick & mix	Total
Net sales	5,169	1,700	6,869
Operating profit, adjusted	669	22	691
Items affecting comparability			-225
Operating profit			**466**
Net financial items			-123
Profit before tax			**343**
Income tax			-68
Profit for the period			**275**

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

Note 3 Breakdown of income

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

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

Net sales

SEKm	2022	2021
Branded packaged products	5,169	4,686
Pick & mix	1,700	1,360
Total	**6,869**	**6,046**

The breakdown of net sales by category is as follows:

	Total income		Of which pick & mix	
SEKm	**2022**	**2021**	**2022**	**2021**
Candy	4,230	3,663	1,312	1,029
Chocolate	1,311	1,133	342	289
Pastilles	694	634	-	-
Chewing gum	354	328	-	-
Nuts	164	157	46	42
Other	116	131	-	-
Total	**6,869**	**6,046**	**1,700**	**1,360**

The breakdown of net sales by country is as follows:

%	2022	2021
Sweden	30	31
Finland	21	21
The Netherlands	14	14
Denmark	9	9
The UK	6	6
Norway	7	7
Germany	6	6
International Markets	7	6
Total	**100**	**100**

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

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

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

SEKm	2022	2021
Software	3	16
Other intangibles	11	10
Land and buildings	24	21
Machinery and equipment	148	145
Right-of-use assets	76	68
Total amortisation and depreciation	**262**	**260**
Amortisation and depreciation have been allocated by function as follows:		
Cost of goods sold	173	160
Selling expenses	11	11
General and administrative expenses	78	89
Total amortisation and depreciation	**262**	**260**
(Reversal of) Impairment		
Property, plant and equipment	136	1
Total impairment	**136**	**1**
Depreciation charge right-of-use assets by asset category:		
Land and buildings	34	33
Transport	29	29
Other equipment	13	6
Total depreciation charge right-of-use asset	**76**	**68**

The impairment losses on property, plant and equipment and the reversal of impairments on intangible assets have been recognised in cost of goods sold. See Note 13 for further information on the impairment losses recognised in 2022.

Note 5 Expenses by type

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

SEKm	2022	2021
Raw materials and consumables used including change in inventory of finished goods and work in progress	2,973	2,421
Personnel expenses (See Note 6)	1,589	1,356
Depreciation, amortisation and impairment charges (See Note 4)	398	261
Transportation expenses	258	227
Lease expenses	27	24
Advertising, promotion, selling and marketing expenses	416	415
Energy expenses	175	99
Maintenance expenses	132	114
Other operating expenses	435	564
Total operating expenses	**6,403**	**5,481**

The costs recognised relating to research and development amount to SEK 32m (31).

Note 6 Personnel expenses and number of employees

See Note 1 (VII) for the accounting policy.

Personnel expenses are specified as follows:

SEKm	2022	2021
Salaries and remuneration Group Management Team		
– Sweden	35	26
– Other	23	17
Of which, short-term variable compensation		
– Sweden	12	13
– Other	7	7
Pension costs Group Management Team		
– Defined contribution plans	8	7
Total salaries, remuneration and pension costs Group Management Team	**66**	**50**
Salaries and remuneration, other employees		
– Sweden	216	225
– Other	777	717
Pension costs, other employees		
– Defined contribution plans	87	69
– Defined benefit plans	6	11
Total salaries, remuneration and pension costs, other employees	**1,086**	**1,022**
Personnel expenses, all employees		
Total salaries, remuneration and pension costs	1,152	1,072
Social security expenses	253	230
Other personnel costs	184	54
Total personnel expenses	**1,589**	**1,356**

The average number of employees is as follows:

#	2022	2021
– Group Management Team	10	10
– Other employees	2,588	2,589
Of whom, women		
– Group Management Team	2	2
– Other employees	1,362	1,382

The average number of employees by country is as follows:

#	2022	2021
Sweden	648	650
Slovakia	756	755
The Netherlands	518	522
Finland	221	221
The UK	120	121
Belgium	117	113
Denmark	104	97
Ireland	62	69
Norway	31	31
Germany	11	11
Italy	3	3
Other	7	6
Total	**2,598**	**2,599**
Of whom, women:		
Sweden	326	355
Slovakia	461	464
The Netherlands	171	173
Finland	184	179
The UK	88	86
Belgium	22	22
Denmark	62	54
Ireland	23	26
Norway	16	14
Germany	7	7
Italy	1	1
Other	3	3
Total	**1,364**	**1,384**

The specification of the gender distribution is as follows:

%	2022	2021
Percentage of women		
Board of Directors	38	29
Group Management Team	20	20
Other employees	53	53

See pages 66–67 for further details on remuneration of the Group Management Team.

Note 7 Remuneration of the Board

Costs incurred 2022 SEK 000s	Board fees	Committee fees	Total
Board Chairman			
Mikael Norman	715	100	815
Board members			
Mikael Aru	322	100	422
Patrick Bergander	322	150	472
Malin Jennerholm[1]	217	-	217
Lottie Knutson	322	-	322
Alan McLean Raleigh	322	100	422
Camilla Svenfelt	322	100	422
Mikael Svenfelt	322	150	472
Total	**2,864**	**700**	**3,564**

Costs incurred 2021 SEK 000s	Board fees	Committee fees	Total
Board Chairman			
Mikael Norman	685	100	785
Board members			
Mikael Aru	315	100	415
Patrick Bergander	315	150	465
Lottie Knutson	315	-	315
Alan McLean Raleigh	315	100	415
Camilla Svenfelt	315	100	415
Mikael Svenfelt	315	150	465
Total	**2,575**	**700**	**3,275**

1) Elected as per 6 April 2022.

Note 8 Items affecting comparability

See Note 1 (XII) for the accounting policy.

SEKm	2022	2021
Acquisitions, integration and restructurings	-249	-6
of which: impairment losses other non-current assets	*-134*	-
Other items affecting comparability	24	-
Total	**-225**	**-6**
Corresponding line in the consolidated profit and loss account:		
Cost of goods sold	-210	1
Selling expenses	-4	-
General and administrative expenses	-11	-7
Total	**-225**	**-6**

The items affecting comparability are mainly related to the greenfield facility, consisting of recognised impairments of SEK -134m and provisions and other items affecting comparability of SEK -108m. See pages 136–137 for alternative performance measures.

Note 9 Net financial items

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

SEKm	2022	2021
Exchange differences in cash and cash equivalents in foreign currencies	**-143**	**33**
Other financial income, third parties	21	2
Other financial income at amortised cost	**21**	**2**
Unrealised gains on single currency interest rate swaps	57	7
Realised gains on single currency interest rate swaps	5	-
Other financial income at fair value	**62**	**7**
Total other financial income	**83**	**9**
Interest expenses, third-party borrowings	-48	-28
Interest expenses, third-party pensions	-4	-5
Amortisation of capitalised transaction costs	-3	-3
Other financial expenses, third parties	-8	-8
Other financial expenses at amortised cost	**-63**	**-44**
Realised losses on single currency interest rate swaps	-	-5
Other financial expenses at fair value	**-**	**-5**
Total other financial expenses	**-63**	**-49**
Net financial items	**-123**	**-7**

Note 10 Income taxes

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

SEKm	2022	2021
Current income tax	-130	-81
Deferred income tax	62	-5
Total	**-68**	**-86**
The year's income tax expense corresponds to an effective tax rate of, %	19.8	15.4

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

SEKm	2022	2021
Profit before tax	343	558
Tax calculated at applicable tax rate for the Parent Company	-71	-115
International rate differences	15	-1
Expenses not deductible for tax purposes	-6	-3
Adjustments recognised in the period for tax of prior periods	7	-2
Effect of (substantively) enacted tax rate changes	-	1
Tax losses for which no deferred income tax asset was recognised in previous years	-6	37
Other	-7	-3
Income tax	**-68**	**-86**
Reported effective tax rate, %	19.8	15.4
Tax rate of Parent Company, %	20.6	20.6

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

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

Note 11 Audit fees

SEKm	2022	2021
Fee for auditing services	**6**	**6**
Fee for other services		
– Tax advice	-	-
– Audit-related advice	-	0
– Other	0	0
Total other services	**0**	**0**
Total audit fees	**6**	**6**

For both the financial years 2021 and 2022 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),
- The procedures for the auditor's limited assurance report on Cloetta's sustainability report and opinion on the statutory sustainability report, and
- The procedures for the auditor's statement regarding the compliance with European Single Electronic Format (ESEF) regulation

Note 12 Intangible assets

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

SEKm	Trademarks	Goodwill	Software	Other intangibles	Total
1 January 2021					
Acquisition or production costs	3,135	2,575	294	137	6,141
Accumulated amortisation and impairments	-58	-228	-272	-53	-611
Book value at 1 January 2021	**3,077**	**2,347**	**22**	**84**	**5,530**
Movements in 2021					
Additions	-	-	0	1	1
Amortisation	-	-	-16	-10	-26
Exchange differences	33	44	0	0	77
Total	**33**	**44**	**-16**	**-9**	**52**
31 December 2021					
Acquisition or production costs	3,168	2,624	134	138	6,064
Accumulated amortisation and impairments	-58	-233	-128	-63	-482
Book value at 31 December 2021	**3,110**	**2,391**	**6**	**75**	**5,582**
Movements in 2022					
Additions	-	-	1	1	2
Amortisation	-	-	-3	-11	-14
Exchange differences	133	179	0	1	313
Total	**133**	**179**	**-2**	**-9**	**301**
31 December 2022					
Acquisition or production costs	3,301	2,823	136	139	6,399
Accumulated amortisation and impairments	-58	-253	-132	-73	-516
Book value at 31 December 2022	**3,243**	**2,570**	**4**	**66**	**5,883**
Estimated economic useful life	*Indefinite*	*Indefinite*	*3–5 years*	*5 years – indefinite*	

The carrying amount of software includes an amount of SEK 1m (0) 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.

For impairment testing, the following assumptions have been used

	Terminal growth rate		Pre-tax discount rate including inflation	
%	2022	2021	2022	2021
Sweden	2.2	1.8	11.0	6.7
Denmark & Norway	2.2	1.8	10.8	6.8
Finland	2.2	1.8	10.9	6.7
The Netherlands	2.2	1.8	11.5	7.0
The Netherlands & Germany	2.2	1.8	11.7	7.0
International Markets & the UK	2.2	1.8	12.7	8.0
Group	2.2	1.8	11.0	6.7

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.

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

SEKm	Sweden	Norway & Denmark	Finland	International Markets & the UK	The Netherlands & Germany	Total
1 January 2021	**504**	**478**	**1,032**	**48**	**285**	**2,347**
Exchange rate differences	5	9	22	1	7	44
31 December 2021	**509**	**487**	**1,054**	**49**	**292**	**2,391**
Exchange rate differences	31	29	89	26	4	179
31 December 2022	**540**	**516**	**1,143**	**75**	**296**	**2,570**

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 2021	**1,545**	**520**	**951**	**61**	**3,077**
Exchange rate differences	-	11	24	-2	33
31 December 2021	**1,545**	**531**	**975**	**59**	**3,110**
Exchange rate differences	-	45	86	2	133
31 December 2022	**1,545**	**576**	**1,061**	**61**	**3,243**

Key assumptions underlying the cash flow projections

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

Impairment of goodwill and trademarks

An impairment analysis has been performed in which the carrying amount of a CGU or group of CGUs is compared with the total recoverable amount. No impairments on goodwill or trademarks have been recorded in the financial years 2021 and 2022.

Corporate assets

Group-wide assets and liabilities, including the right of free electricity and software under construction, that cannot be directly allocated on a reasonable and consistent basis to the CGUs or groups of CGUs are classified as corporate assets. A group impairment analysis has been performed in which the carrying amount of the total group of CGUs, including the portion of the carrying amount representing the Group's corporate assets, is compared with the total recoverable amount.

Note 13 Property, plant and equipment

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

SEKm	Land and buildings	Machinery and equipment	Assets under construction	Right-of-use assets	Total
1 January 2021					
Acquisition or production costs	856	3,784	118	281	5,039
Accumulated depreciation and impairments	-396	-2,972	-	-111	-3,479
Book value at 1 January 2021	**460**	**812**	**118**	**170**	**1,560**
Movements in 2021					
Additions	-	-	193	36	229
Disposals	-	-3	-	-	-3
Early terminations right-of-use assets	-	-	-	-2	-2
Transfers	34	174	-208	-	-
Depreciation	-21	-145	-	-68	-234
Impairments	-	-1	-	-	-1
Exchange differences	11	10	1	5	27
Total	**24**	**35**	**-14**	**-29**	**16**
31 December 2021					
Acquisition or production costs	897	3,942	104	286	5,229
Accumulated depreciation and impairments	-413	-3,095	-	-145	-3,653
Book value at 31 December 2021	**484**	**847**	**104**	**141**	**1,576**
Movements in 2022					
Additions	-	-	212	82	294
Disposals	-	-1	-	-1	-2
Early terminations right-of-use assets	-	-	-	-1	-1
Transfers	17	134	-151	-	-
Depreciation	-24	-148	-	-76	-248
Impairments	-26	-102	-8	-	-136
Exchange differences	32	47	9	10	98
Total	**-1**	**-70**	**62**	**14**	**5**
31 December 2022					
Acquisition or production costs	978	4,281	174	354	5,787
Accumulated depreciation and impairments	-495	-3,504	-8	-199	-4,206
Book value at 31 December 2022	**483**	**777**	**166**	**155**	**1,581**
Estimated economic useful life	*Buildings: 20–50 years Land: Indefinite*	*3–55 years*	*N/A*	*1–31 years*	

The impairment losses on property, plant and equipment of SEK 136m mainly relate to the announced investment in a new greenfield facility and closure of the factories in Roosendaal, the Netherlands and Turnhout, Belgium, and comprise assets that will not be transferred to new facility. The impairment losses have been charged to cost of goods sold.

At 31 December 2022, the Group had contractual commitments for purchases of machinery and equipment for an amount of SEK 109m (114).

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

SEKm	31 Dec 2022	31 Dec 2021
Land and buildings	104	81
Transport	40	50
Other equipment	11	10
Total	**155**	**141**

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

The breakdown of property, plant and equipment and intangible assets by country is as follows:

SEKm	31 Dec 2022	31 Dec 2021
Sweden	2,482	2,465
Finland	1,766	1,633
The Netherlands	1,552	1,539
Other countries	1,664	1,521
Total	**7,464**	**7,158**

Note 14 Tax assets and liabilities

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

Deferred tax assets and liabilities relate, among other things, to the tax effect of the difference between the tax base of the defined asset or liability and its carrying amount and the recognised tax losses carried forward.

Movements of deferred tax assets and liabilities per category are specified as follows:

SEKm	Tax losses carried forward	Property plant and equipment	Intangible assets	Provisions (incl. pensions)	Other assets and liabilities	Total
1 January 2021	**38**	**-142**	**-665**	**59**	**-105**	**-815**
Profit and loss account (charge)/ credit for the year	23	11	-9	-1	-9	15
Adjustments recognised in the period for tax of prior periods	0	-3	-3	-1	17	10
Effect of rate changes	7	-1	-6	0	1	1
Other (including exchange differences)	-15	-2	-10	-2	-3	-32
31 December 2021	**53**	**-137**	**-693**	**55**	**-99**	**-821**
Profit and loss account (charge)/ credit for the year	58	7	-3	-5	-15	42
Adjustments recognised in the period for tax of prior periods	0	2	10	27	3	42
Effect of rate changes	1	0	0	0	0	1
Other (including exchange differences)	-20	-9	-33	-31	-12	-105
31 December 2022	**92**	**-137**	**-719**	**46**	**-123**	**-841**

Deferred tax assets and liabilities are broken down as follows:

SEKm	31 Dec 2022	31 Dec 2021
Deferred tax assets	43	42
Deferred tax liabilities	-884	-863
Total	**-841**	**-821**

Deferred tax assets are expected to be realised as follows:

SEKm	31 Dec 2022	31 Dec 2021
Deferred tax asset to be realised after more than 12 months	37	35
Deferred tax asset to be realised within 12 months	6	7
Total	**43**	**42**

The composition of deferred tax assets for deductible temporary differences and tax losses carried forward is as follows:

	31 Dec 2022		31 Dec 2021	
SEKm	Recognised	Not recognised	Recognised	Not recognised
Deductible temporary differences	83	-	99	-
Tax losses carried forward	92	33	53	14
Total	**175**	**33**	**152**	**14**

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 2022	31 Dec 2021
Deferred tax liability to be recovered after more than 12 months	867	850
Deferred tax liability to be recovered within 12 months	17	13
Total	**884**	**863**

Current income tax

SEKm	31 Dec 2022	31 Dec 2021
Current income tax assets	44	19
Current income tax liabilities	-77	-26
Total	**-33**	**-7**

See also Note 30 for further details regarding accounting estimates and judgements in respect of the ongoing tax audits.

Note 15 Non-current financial assets

See Note 1 (XVI) for the accounting policy.

SEKm	31 Dec 2022	31 Dec 2021
Deposits	3	4
Funded pension schemes in a net asset position	-	1
Other financial assets	0	0
Total	**3**	**5**

The fair values of non-current financial assets approximate their carrying amounts.

None of the different classes of non-current financial assets contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

See Note 23 for further details on the funded pension schemes in a net asset position.

Note 16 Inventories

See Note 1 (XIX) for the accounting policy.

Inventories for own use and resale

SEKm	31 Dec 2022	31 Dec 2021
Raw materials and consumables	386	299
Work in progress	63	59
Finished goods and goods for resale	641	485
Total	**1,090**	**843**

Movements in the provision for obsolete inventory are as follows:

SEKm	2022	2021
At 1 January	**17**	**18**
Provision for impairment of inventories	10	5
Inventories written off during the year as obsolete	-7	-5
Unused amounts reversed	-9	-1
Exchange differences	1	0
At 31 December	**12**	**17**

Note 17 Trade and other receivables

See Notes 1 (XVI) for the accounting policy.

SEKm	31 Dec 2022	31 Dec 2021
Trade receivables before loss allowances	924	710
Loss allowances for trade receivables	-5	-2
Trade receivables	**919**	**708**
Other receivables	64	47
Prepaid expenses and accrued income	47	32
Total	**1,030**	**787**

Movements in the loss allowance for trade receivables are as follows:

SEKm	2022	2021
At 1 January	**2**	**4**
Provision for impairment of trade receivables	4	2
Trade receivables written off during the year as uncollectible	-1	-3
Unused amounts reversed	0	-1
Exchange differences	0	0
At 31 December	**5**	**2**

Cloetta Denmark ApS entered into a receivable purchase agreement with Skandinaviska Enskilda Banken for one Danish customer. As a result per year-end 2021, Cloetta Denmark ApS received an amount of DKK 18m, equivalent to SEK 25m in advance before the due date. Cloetta Denmark ApS paid a discount fee for the early receipt based on 3M CIBOR with a zero-floor clause and a fixed margin. The agreement was terminated in 2022.

The individual trade receivables for which provisions were made relate to uncollectible receivables that are not covered by credit insurance.

The age analysis of the trade receivables including loss allowances is as follows:

	31 Dec 2022			31 Dec 2021		
SEKm	Gross carrying amount	Loss allowance	Net carrying amount	Gross carrying amount	Loss allowance	Net carrying amount
Current (not past due)	867	-	867	670	-	670
Up to 30 days past due	41	-	41	26	-	26
30 to 60 days past due	7	-3	4	6	-	6
60 to 90 days past due	0	-	0	1	-	1
Over 90 days past due	9	-2	7	7	-2	5
Total	**924**	**-5**	**919**	**710**	**-2**	**708**

The other receivables and prepaid expenses and accrued income do not contain any provided amounts.

As of 31 December 2022, trade receivables of SEK 52m (38) 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 78m (67) 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 2022	31 Dec 2021
Euro	376	289
Swedish krona	221	186
Danish krone	216	121
Great Britain pound	60	63
Norwegian krone	33	36
US dollar	4	6
Other currencies	9	7
Total	**919**	**708**

The breakdown of prepaid expenses and accrued income is as follows:

SEKm	31 Dec 2022	31 Dec 2021
Prepaid IT expenses	11	9
Prepaid rent, insurance and lease charges	8	8
Prepaid personnel-related expenses	4	1
Prepaid marketing expenses	2	0
Prepaid deposits	3	1
Other prepaid expenses	17	10
Other accrued income	2	3
Total	**47**	**32**

Note 18 Cash and cash equivalents

See Notes 1 (XXI) and (XXII) for the accounting policy.

The item cash and cash equivalents in the consolidated cash flow statement and consolidated balance sheet consists of the following:

SEKm	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	583	692
Total	**583**	**692**

All cash and cash equivalents are available on demand.

In 2018, Danske Bank A/S provided the Group with a Multicurrency Zero Balancing Cash Pool (MZBCP). The MZBCP enables Cloetta AB (publ) and its subsidiaries to use the funds available as deposited in the bank in one or more currencies for the purpose of efficient liquidity management and daily payments in the ordinary course of business. The MZBCP provide the possibility to make withdrawals from accounts held by the bank in different currencies and in different countries without the necessary funds being available in the respective currency, provided that the corresponding funds are available considering the balances on all accounts in the MZBCP, and any amounts available for this purpose pursuant to any credit facility and/or intraday revolving facility agreed upon separately. The MZBPC is based on, and connects, accounts in local account structures in different countries in which group companies participate as sub-account holders.

The following table shows the carrying amounts of recognised offsetting of financial assets and liabilities relating to the MZBCP:

				Related financial instruments that are not offset		
2022 SEKm	**Gross amounts of financial instruments**	**Offsetting negative cash balances by positive cash balances in cash pools**	**Net amount presented in the balance sheet**	**Cash balances outside cash pools**	**Other loans from credit institutions**	**Net amount**
Cash and cash equivalents	5,469	-4,906	563	20	-	583
Total assets	**5,469**	**-4,906**	**563**	**20**	**-**	**583**
Loans from credit institutions	4,906	-4,906	-	-	2,190	2,190
Total liabilities	**4,906**	**-4,906**	**-**	**-**	**2,190**	**2,190**

				Related financial instruments that are not offset		
2021 SEKm	**Gross amounts of financial instruments**	**Offsetting negative cash balances by positive cash balances in cash pools**	**Net amount presented in the balance sheet**	**Cash balances outside cash pools**	**Other loans from credit institutions**	**Net amount**
Cash and cash equivalents	3,728	-3,052	676	16	-	692
Total assets	**3,728**	**-3,052**	**676**	**16**	**-**	**692**
Loans from credit institutions	3,052	-3,052	-	-	2,081	2,081
Total liabilities	**3,052**	**-3,052**	**-**	**-**	**2,081**	**2,081**

Note 19 Equity

See Notes 1 (XXIII) and (XXV) for the accounting policy.

Capital management

The Board's financial objective is to maintain a strong financial position that contributes to maintaining investor, creditor and market confidence and to providing a platform for ongoing development of the business. Capital consists of total equity. The Board of Directors proposes the dividend to the shareholders.

The company's long-term intention is a dividend pay-out of between 40 and 60 per cent of profit after tax. Both in 2022 and 2021, the ambition was to continue using cash flows to pay dividends and to maximise financial flexibility for complementary acquisitions.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the net debt/EBITDA ratio (leverage). This ratio is calculated as net debt divided by EBITDA, adjusted for items affecting comparability. The Group has defined a long-term leverage target of 2.5x. The net debt/EBITDA ratio at 31 December 2022 was 1.9x (2.0).

Dividend per share

The Annual General Meeting (AGM) approved the following dividend on 6 April 2022 and 6 April 2021.

	2022	2021
Dividend per share, SEK	1.00	0.75
Total dividend, SEKm	287	216
Dividend as a percentage of profit for the previous year	61	82
Payment date	April 2022	April 2021

After the reporting date, the following dividend was proposed by the Board of Directors. The dividend has not been recognised in the balance sheet at reporting date.

	2022	2021
Dividend per share, SEK	1.00	1.00
Total dividend, SEKm	**285**	**287**

The Board of Directors proposes that the total earnings in the Parent Company at the disposal of the AGM amounting to SEK 1,115m (1,465) are to be distributed to the shareholders in the amount of SEK 285m (287) and to be carried forward to new account in the amount of SEK 830m (1,178).

Group equity

Share capital

The number of shares authorised, issued and fully paid up at 31 December 2022 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 43 for further details.

Cloetta has purchased 1,590,629 shares at an average share price, including incremental transaction costs, of SEK 27.8942 during the period 1 November 2021 till 9 November 2021. These shares are held as treasury shares. The treasury shares are held with the purpose of issuing shares to the participants of LTI'21 at vesting date. Cloetta has purchased 1,622,932 shares at an average share price, including incremental transaction costs, of SEK 20,6560 during the period 31 October 2022 till 23 November 2022. These shares are held as treasury shares. The treasury shares are held with the purpose of issuing shares to the participants of LTI'22 at vesting date.

Foreign currency translation reserve

The foreign currency translation reserve consists of all exchange gains and losses arising on translation of the financial statements of foreign operations that present their financial statements in a currency other than that used by the Group. This includes foreign currency differences on monetary items that are a receivable from or payable to a foreign operation, for which settlement is neither planned nor likely to occur in the foreseeable future.

Retained earnings

Retained earnings comprise the sum of profit for the year and retained earnings from previous years.

Changes in equity

For disclosures about changes in equity in the Group, see the consolidated statements of changes in equity on page 81.

Hedge of a net investment in a foreign operation (Net investment hedge)

The Group applies hedge accounting for the investment in trademarks in Cloetta Ireland Ltd., Cloetta Suomi Oy, Cloetta Holland B.V. and Cloetta Slovakia s.r.o. See Note 1 (XVIII) for further details on the applied hedge acccounting.

Share-based payments

See Note 23 for further details about share-based payments.

Note 20 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding. Diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding adjusted for the dilutive effect of share-based payments.

The calculation of basic and diluted earnings per share is based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding:

	2022	2021
Profit for the year, attributable to ordinary shareholders (in SEKm) (basic and diluted)	**275**	**472**
Number of issued ordinary shares at 1 January	**288,619,299**	**288,619,299**
Effect of forward contract to repurchase own shares	-	-903,049
Effect of purchase of treasury shares	-1,812,948	-235,326
Weighted average number of ordinary shares during the year before dilution	**286,806,351**	**287,480,924**
Effect of share-based payments	83,886	37,802
Weighted average number of ordinary shares during the year after dilution	**286,890,237**	**287,518,726**
Basic earnings per share, SEK	**0.96**	**1.64**
Diluted earnings per share, SEK	**0.96**	**1.64**

Cloetta entered into forward contracts to repurchase own shares in order to fulfil its future obligation to deliver the shares to the participants in the long-term share-based incentive plans. See Note 22 for a table that presents movements in the contracts as of 1 January 2021. The contract was settled in the second quarter of 2021. Cloetta purchased 1,622,932 (1,590,629) treasury shares to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plans.

Note 21 Borrowings

See Notes 1 (XXVI) and (XXVII) for accounting policies.

31 Dec 2022 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years	Total
Loans from credit institutions	-	800	1,390	-	2,190
Capitalised transaction costs	-5	-4	-4	-	-13
Commercial papers	149	-	-	-	149
Accrued interest	2	-	-	-	2
Lease liabilities	61	40	43	12	156
Total	**207**	**836**	**1,429**	**12**	**2,484**

31 Dec 2021 SEKm	Remaining term < 1 year	Remaining term 1–2 years	Remaining term 2–5 years	Remaining term > 5 years	Total
Loans from credit institutions	-	800	1,281	-	2,081
Capitalised transaction costs	-3	-2	-1	-	-6
Commercial papers	150	-	-	-	150
Lease liabilities	59	41	42	1	143
Total	**206**	**839**	**1,322**	**1**	**2,368**

In the second quarter of 2021, Cloetta agreed on refinancing the Group through its existing banks for up to four years. In the second quarter of 2022, Cloetta extended its loan facilities by one year. The terms as agreed in the multicurrency term and revolving facilities agreement came into effect on 30 June 2022 and comprise of:

- a SEK 800m term loan repayable on 30 June 2024, with the possibility of extending the facility for an additional year;
- a EUR 125m term loan repayable on 30 June 2025, with the possibility of extending the facility for an additional year; and
- a EUR 60m revolving credit facility, available up to 30 June 2026, with the possibility of extending the facility for an additional year.

On 27 October 2022 Cloetta entered into an amendment and restatement agreement with the existing banks. The amendment and restatement agreement was entered into to arrange for additional financing for the new greenfield facility to be established and comprise, in addition to the existing facilities, of:

- a EUR 100m term loan repayable on 27 October 2025, with the possibility of extending the facility for an additional two years; and
- a EUR 60m revolving credit facility, available up to 27 October 2026, with the possibility of extending the facility for an additional year.

See Note 26 for the Group's contractually agreed undiscounted cash flows payable under financial liabilities, including interest payments.

SEKm	Long-term borrowings	Short-term borrowings	Total
Balance at 1 January 2021	**111**	**2,368**	**2,479**
Changes from financing cash flows			
Repayment of lease liabilities	-5	-64	-69
Transaction costs paid	-8	-	-8
Proceeds from commercial papers	-	750	750
Repayment of commercial papers	-	-849	-849
Total changes from financing cash flows	**-13**	**-163**	**-176**
Other changes			
Capitalisation transaction cost	6	-5	1
Additions to lease liabilities	24	10	34
Early termination of lease liabilities	-2	-	-2
Amortisation of capitalised transaction costs	-	3	3
Interest expenses, third-party borrowings	12	12	24
Interest paid	-12	-12	-24
Reclassification between long-term and short-term borrowings	2,015	-2,015	-
Exchange differences on borrowings	21	8	29
Total other changes	**2,064**	**-1,999**	**65**
Balance at 31 December 2021	**2,162**	**206**	**2,368**
Changes from financing cash flows			
Repayment of lease liabilities	-16	-59	-75
Transaction costs paid	-9	-	-9
Proceeds from commercial papers	-	597	597
Repayment of commercial papers	-	-598	-598
Total changes from financing cash flows	**-25**	**-60**	**-85**
Other changes			
Capitalisation transaction cost	-9	-	-9
Additions to lease liabilities	21	56	77
Early termination of lease liabilities	-3	-	-3
Amortisation of capitalised transaction costs	-	3	3
Interest expenses, third-party borrowings	33	2	35
Interest paid	-33	-2	-35
Exchange differences on borrowings	131	2	133
Total other changes	**140**	**61**	**201**
Balance at 31 December 2022	**2,277**	**207**	**2,484**

The carrying amounts and fair value of short-term and long-term borrowings are as follows:

	Fair value		Carrying amount	
SEKm	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Loans from credit institutions	2,190	2,081	2,190	2,081
Commercial papers	149	150	149	150
Lease liabilities	156	143	156	143
Total	**2,495**	**2,374**	**2,495**	**2,374**

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 20 April 2021, Cloetta entered in a new multicurrency term and revolving facilities agreement with the exisiting group of four banks: Danske Bank A/S, DNB Bank ASA, Sweden Branch, Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ). The terms as agreed came into effect on 30 June 2021.

On 10 June 2022, Cloetta extended the maturities of its loan facilities by one year to 2024-2026.

On 27 October 2022, new credit facilities, totaling EUR 160m, have been agreed upon with Cloetta's existing banking group.

The total facilities at reporting date comprise of SEK 800m and EUR 345m. The term and revolving facilities agreement is unsecured in nature.

The commercial paper programme, with a maximum outstanding amount of SEK 1,000m, is established to obtain flexibility in the short-term financing needs. See Note 26 for an overview of the maturity of the components of Cloetta's loans from credit institutions.

Cloetta has made an assessment of the impact of the Interbank offer rates (IBOR) reform project. The outcome of this assessment is that Cloetta has not been and will not be materially affected by the IBOR reform project in the short-term. The facilities drawn in the facilities agreement and the interest rate swaps are based on EURIBOR and STIBOR reference rates. Both these rates are not affected yet by the IBOR reform project. Nevertheless, when Cloetta refinanced its loans in 2021, it has incorporated provisions setting out the fallback position for the event that the STIBOR and EURIBOR cease to be published. Upon prolongation of or entering into new contracts containing references to IBOR reference rates, Cloetta will add provisions setting out fallback provisions as described above.

The Group credit facility at reporting date relates to:

	Outstanding amount		Interest percentage		Applicable margin[1]	
SEKm	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Single currency term loan of nominal EUR 125m (125)	1,390	1,281	Variable EURIBOR + fixed applicable margin, with zero-floor	Variable EURIBOR + fixed applicable margin, with zero-floor	1.05%	1.15%
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	0.95%	1.05%
Commercial papers of nominal SEK 1,000m (1,000)	149	150	Fixed margin per issued paper	Fixed margin per issued paper	3.08%	0.45%
Multicurrency credit revolving loan of EUR 50m (50)	-	-	Variable IBOR + fixed applicable margin, with zero-floor	Variable IBOR + fixed applicable margin, with zero-floor	1.15%	1.25%
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%
Single currency term loan of EUR 100m (0)	-	-	Variable EURIBOR + fixed applicable margin, with zero-floor	-	1.55%	-
Multicurrency credit revolving loan of EUR 60m (0)	-	-	Variable IBOR + fixed applicable margin, with zero-floor	-	1.35%	-
Total Group credit facility	**2,339**	**2,231**				
Capitalised transaction costs	-13	-6				
Lease liabilities	156	143				
Accrued interest	2	-				
Total borrowings	**2,484**	**2,368**				

1) Applicable margin on credit facilities based on the net/debt ebitda covenant at reporting date. Margin on commercial papers based on the weighted average rate on the outstanding commercial papers at reporting date.

At 31 December 2022, the Group had an unutilised credit facility of SEK 2,447m (615) and the possibility to issue additional commercial papers for an amount of SEK 850m (850). 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 149m (150) and part of the lease liabilities for an amount corresponding to SEK 120m (69).

The effective interest rate for the loans from credit institutions and the commercial papers was 1.55 per cent (1.01). The effective interest rate including the effect of single currency interest rate swaps was 1.35 per cent (1.22).

Note 22 Derivative financial instruments

See Note 1 (XVIII) for the accounting policy.

	31 Dec 2022		31 Dec 2021	
SEKm	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Non-current				
Single currency interest rate swaps	25	-	2	-
Total non-current	**25**	**-**	**2**	**-**
Current				
Single currency interest rate swaps	34	-	1	0
Total current	**34**	**-**	**1**	**0**
Total	**59**	**-**	**3**	**0**

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 was measured at cost. The contract was settled in the second quarter of 2021, preceding the purchase of treasury shares. See Note 19.

The following table shows the movements in contracts since 1 January 2021

	Date	Contract 1
Balance at	**1 January 2021**	**1,985,619**
Shares granted to participants LTI'18 (settlement of forward contract to repurchase own shares)	27 April 2021	-136,625
Settlement forward contract to repurchase own shares	15 June 2021	-1,848,994
Balance at	**31 Dec 2021**	**-**
	Price, SEK	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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
STIBOR Interest rate swaps	SEKm	950	850	0.1100%	0.1100%	Q1 2023 - Q2 2023	Q1 2022 - Q2 2023
STIBOR Interest rate swaps	SEKm	800	100	3.0380%	0.1100%	Q3 2023 - Q2 2024	Q3 2022 - Q2 2023
EURIBOR Interest rate swaps	EURm	50	35	1.9160%	0.3375%	Q1 2023 - Q2 2025	Q1 2022 - Q2 2022
EURIBOR Interest rate swaps	EURm	25	25	0.0830%	0.0830%	Q1 2023 - Q2 2024	Q3 2022 - Q2 2024
EURIBOR Interest rate swaps	EURm	10	10	0.0830%	0.0830%	Q3 2023 - Q2 2024	Q3 2023 - Q2 2024
EURIBOR Interest rate swaps	EURm	10	-	1.9160%	-	Q3 2023 - Q2 2025	-
EURIBOR Interest rate swaps	EURm	35	-	1.9160%	-	Q3 2024 - Q2 2025	-

All single currency interest rate swaps include zero-floors on the floating leg.

Note 23 Pensions and other long-term employee benefits

See Notes 1 (VII) and (XXV) for the accounting policy.

Group companies use various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions, even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit schemes in industry sector pension funds, which are held by pension funds that are not able to provide company-specific or reliable information, are accounted for as though they were defined contribution schemes. In the event of a deficit in these pension funds, the company has no obligation to provide supplementary contributions, other than higher future contributions.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group has a number of defined benefit pension plans in Sweden, the Netherlands, Belgium, Finland, Germany and Norway that relate to pension and other long-term benefit schemes. Related to the announced closure of the factory in Turnhout, Belgium and the related reduction of employees, a curtailment has been recognised for the Belgian plan. The total impact of SEK 3m has been recognised as cost of goods sold.

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 45m (37). These are split into employer contributions of SEK 30m (25) and employee contributions of SEK 15m (12). At year-end 2022, the coverage of the pension fund was 120.6 per cent (110.6).

At 31 December 2022, 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 2022	31 Dec 2021
Funded pension schemes in a net asset position	-	1
Obligation for pension benefits	-345	-505
Total	**-345**	**-504**

The net liability recognised in the balance sheet is determined as follows:

SEKm	31 Dec 2022	31 Dec 2021
Present value of funded obligations	59	73
Fair value of plan assets	-65	-62
Deficit/(Surplus) of funded plans	**-6**	**11**
Present value of unfunded obligations	339	491
Impact of minimum funding requirements/asset ceiling	12	2
Net liability in the balance sheet	**345**	**504**

Movements in the combined net defined benefit obligations and other long-term employee benefits over the year are as follows:

SEKm	Present value of obligation	Fair value of plan assets	Asset ceiling impact	Total
1 January 2021	**573**	**-62**	-	**511**
Current Service cost	11	-	-	11
Interest expense/(income)	5	-	-	5
Total amount recognised in profit or loss	**16**	**-**	-	**16**
Remeasurements:				
– Return on plan assets, excluding amounts included in interest expense/(income)	-	-1	-	-1
– Losses from change in financial assumptions	-6	0	-	-6
– Experience (gains)/losses	-4	0	-	-4
– Change in asset ceiling, excluding amounts included in interest expense/(income)	-	-	2	2
Total remeasurements recognised in other comprehensive income	**-10**	**-1**	**2**	**-9**
Exchange differences	3	-2	-	1
Contributions:				
– Employers	-	-15	-	-15
– Plan participants	0	0	-	-
Payments from plans:				
– Benefit payments	-18	18	-	-
31 December 2021	**564**	**-62**	**2**	**504**
Current Service cost	6	-	-	6
Interest expense/(income)	5	-1	-	4
Total amount recognised in profit or loss	**11**	**-1**	**-**	**10**
Remeasurements:				
– Return on plan assets, excluding amounts included in interest expense/(income)	-	0	-	0
– Losses from change in financial assumptions	-180	0	-	-180
– Losses from change in demographic assumptions	-4	-	-	-4
– Experience (gains)/losses	21	0	-	21
– Change in asset ceiling, excluding amounts included in interest expense/(income)	-	-	9	9
Total remeasurements recognised in other comprehensive income	**-163**	**0**	**9**	**-154**
Exchange differences	6	-3	1	4
Contributions:				
– Employers	0	-16	-	-16
– Plan participants	0	0	-	-
Payments from plans:				
–Benefit payments	-17	17	-	-
Curtailments	-3	-	-	-3
31 December 2022	**398**	**-65**	**12**	**345**

The Group expects to pay SEK 17m (15) in contributions to its defined benefit plans in 2023.

The defined benefit obligation and plan assets are composed by country as follows:

	Present value of obligation		Fair value of plan assets		Impact of asset ceiling		Defined benefit obligation	
SEKm	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Sweden	335	485	-16	-15	12	2	331	472
Norway	9	12	-14	-13	-	-	-5	-1
Finland	24	27	-20	-21	-	-	4	6
Other countries	30	40	-15	-13	-	-	15	27
Total	**398**	**564**	**-65**	**-62**	**12**	**2**	**345**	**504**

The significant actuarial assumptions are as follows:

Weighted average percentage	31 Dec 2022	31 Dec 2021
Discount rate	3.96	1.76
Expected rate of future salary increases	2.94	2.55
Expected rate of future increase for benefits in payment	1.92	2.07
Expected long-term inflation rate	2.00	2.16

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 65:

	2022		2021	
Years	**Sweden**	**Others**	**Sweden**	**Others**
Retiring at the end of the reporting period:				
– Male	22	21	22	21
– Female	25	24	25	24
Retiring 20 years after the end of the reporting period:				
– Male	43	35	43	35
– Female	45	40	45	40

At 31 December 2022 the weighted average duration of the defined benefit obligation was 16.34 years (18.98 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			
		2022		2021	
SEKm	**Change in assumptions**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate	1%-point	-19	25	-19	22
Salary growth rate	1%-point	4	-3	5	-4
Pension growth rate	1%-point	11	-12	17	-16

%	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Life expectancy	3.81	-3.77	4.18	-3.52

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 2021 and 2022 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 2022	31 Dec 2021
Less than 3 years	-	-
Between 3–7 years	-	-
Between 7–15 years	63	78
Over 15 years	335	486
Total	**398**	**564**

Total pension costs for defined benefit plans amounting to SEK 10m (16) 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 2018 and 2019 were vested in 2021 and 2022, respectively.

With respect to the share-based long-term incentive plan of 2020, 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 2020 to 2022 and EBITA level during 2022. As a result, Cloetta will not transfer shares to participants holding series A and series B performance share rights.

Total costs related to the non-vested share-based long-term incentive plans are expected to amount to SEK 57m (38) during the total vesting period. The total costs for the share-based long-term incentive plans recognised in 2022 are SEK 15m (-7).

See page 45 for further details on the main characteristics of the share-based long-term incentive plans.

The forward contracts to repurchase own shares were settled on 10 June 2021 and amounted to SEK 0m. See Note 22 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	2022	2021
At 1 January	**1,177**	**1,683**
Granted for new plans	1,241	1,187
Vested plans	-	-137
Released	-343	-1,556
At 31 December	**2,075**	**1,177**

Under the share-based long-term incentive plans, the entity receives services from employees as consideration for equity instruments (shares) of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period).

Note 24 Provisions

See Note 1 (XXIV) for the accounting policy.

Movements in provisions, excluding pension benefits and other long-term employee benefits, are specified as follows:

SEKm	Reorganisation	Other	Total
1 January 2021	**23**	**6**	**29**
Additions	1	12	13
Utilisations	-20	-11	-31
Unused amounts reversed	-1	-5	-6
Exchange differences	1	-1	0
31 December 2021	**4**	**1**	**5**
Analysis of total provisions			
Non-current			-
Current			5
Total			**5**

SEKm	Reorganisation	Other	Total
1 January 2022	**4**	**1**	**5**
Additions	110	0	110
Utilisations	-6	-1	-7
Unused amounts reversed	-	-1	-1
Exchange differences	5	1	6
31 December 2022	**113**	**0**	**113**
Analysis of total provisions			
Non-current			107
Current			6
Total			**113**

The addition in 2022 of SEK 110m is mainly related to severance payments and outplacement costs for the restructuring provision recognised in relation to the announced closure of the factories in Turnhout, Belgium and Roosendaal, the Netherlands , with expected cash outflows in 2025. The uncertainties about the timing and amount for the restructuring provision relate to the outcome of the negotiations with employee representative organisations regarding the terms of the restructuring plan and the future turnover of employees affected by the plan. See Note 23 for details about pensions and other long-term employee benefits.

Note 25 Trade and other payables

See Note 1 (XXVIII) for the accounting policy.

Trade and other payables are specified as follows:

SEKm	31 Dec 2022	31 Dec 2021
Trade payables	581	520
Other taxes and social security expenses	167	138
Pension liabilities	17	10
Other liabilities	4	4
Accruals and deferred income	650	595
Total	**1,419**	**1,267**

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 2022	31 Dec 2021
Accrued personnel-related expenses	249	234
Accrued customer bonuses and discounts	253	222
Other accrued expenses and deferred income	148	139
Total	**650**	**595**

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risks are managed by the Group treasury department under policies approved by the Board of Directors. The Group treasury department identifies, evaluates and, if applicable, hedges financial risks in close cooperation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity. The primary market and financial risks are described in detail below.

Financial market risk

Currency risk

The Group is primarily active in the European Union, Norway and the UK.

The Group's currency risk mainly relates to positions and future transactions in euros (EUR), Danish kroner (DKK), Norwegian kroner (NOK), US dollars (USD) and British pounds (GBP).

The Group has major investments in foreign operations whose net assets are exposed to foreign currency translation risk.

Based on a risk analysis, the Group's Boards of Directors has decided to hedge the euro-related currency risk by drawing part of the credit facility in euros. This hedge covers part of the currency risk in euros. Hedge accounting (hedges of net investments in foreign operations) is applied. This has resulted in a reduction in the volatility of net financial items caused by revaluation of monetary assets and liabilities as of the date of initial application of hedge accounting.

The Group's investment in trademarks in Cloetta Ireland Ltd, Cloetta Suomi Oy, Cloetta Holland B.V. and Cloetta Slovakia s.r.o. is hedged by net euro-denominated loans (carrying amount: EUR 161m (157) which mitigates the foreign currency translation risk on these trademarks. The fair value of the loans was EUR 161m (157). The loans are designated as a net investment hedge. The effectiveness of the hedge is tested and documented on a quarterly basis. The hedge effectiveness at 31 December 2022 was 105 per cent (103). 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 2022, the cumulative effect of the net investment hedge in a foreign operation amounted to SEK -263m (-158), net of tax, and was reported as part of the retained earnings within equity.

The Group's defined objective is to cover between 50 and 80 per cent of the expected net exposure on purchases and sales in USD and GBP if the exposure exceeds the equivalent of EUR 10m. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. At reporting date, the Group had no forward foreign currency contracts to hedge the currency risk of the USD and GBP. The Group is in compliance with the defined objectives for currency risks.

During 2021 and 2022, exchange rates have been volatile and as a result impacted Cloetta's financial performance significantly.

In the 2022 financial year, if the Swedish krona had weakened/strengthened by 10 per cent against the euro with all other variables held constant, then profit before tax for the year would have been approximately SEK 25m (40) higher/lower. This is the result of the foreign exchange gains/losses on translation of all euro-denominated trading in Europe and foreign exchange losses/gains on translation of euro-denominated borrowings. During 2022, the Swedish krona weakened from 10.2503 to 11,1218 versus the Euro (-8.5%). As a result, a total exchange difference on cash and cash equivalents in an amount of approximate SEK -75m was recognised in 2022. In 2021, the impact was less significant.

The currency risk attached to the transactions in the other currencies is not significant as the amounts involved are not significant to the total Group.

Interest rate risk

The Group is exposed to interest rate risk on the interest-bearing non-current and current liabilities.

The Group is exposed to the consequences of variable interest rates on the single-currency term loan of EUR 125m and the single-currency term loan of SEK 800m and as soon as the EUR 100m single-currency term loan and the EUR 120m revolving facility are drawn down. The interest yields on commercial papers develop in line with the STIBOR interest rate development. In relation to fixed interest liabilities, it is exposed to market values, which is not a significant risk for the Group. The Group's objective when managing the interest rate risk is to have a fixed percentage between 50 and 80 per cent with an average maturity between 2 and 3.5 years on borrowings that are long-term in nature. At reporting date, the Group covered 2.5 years of its exposure to interest rate fluctuations and has covered for on average 74 per cent of the interest rate exposure on the drawn facilities. The Group is in compliance with the defined objectives for interest rate risks.

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 7m (1) 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 4m (1) 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-1 (short-term)) and has a revolving facility available

			Cash balances		Other loans	
SEKm	**Rating (S&P)**		**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Danske Bank A/S	Long-term	A+	563	677	-548	-520
DNB Sweden AB	Long-term	AA-	-	-	-548	-520
KBC	Short-term	A-1	3	2	-	-
Skandinaviska Enskilda Banken AB (publ)	Long-term	A+	0	0	-548	-520
Svenska Handelsbanken AB (publ)	Long-term	AA-	-	-	-548	-520
Tatra Banka	Short-term	A-1+	11	8	-	-
Other banks			6	5	-	-
Total			**583**	**692**	**-2,190**	**-2,081**

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group, reviewed by the Cloetta cash committee and is aggregated by the Group treasury department. The Group treasury department monitors the sources and the amounts of the company's cash flows, dividend, obligation, loans, actual cash position and rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 21) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities, and the impact such restrictions had or are expected to have on its ability to meet its cash obligations. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

The Multi-currency Zero Balancing Cash Pool (MZBCP) includes both the Parent Company and several operating entities. Surplus cash held by operating entities included in the MZBCP is available to the Group's treasury department and is used for the Group's internal and external financing activities. Surplus cash held by operating entities not included in the MZBCP is transferred to the Group's treasury department and is also used for the Group's internal and external financing activities.

The 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 2022	**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]	74	860	1,412	-	-	-	2,346
Commercial papers	150	-	-	-	-	-	150
Lease liabilities	61	41	23	12	7	12	156
Trade and other payables, excluding other taxes and social security payables	1,252	-	-	-	-	-	1,252
Total	**1,537**	**901**	**1,435**	**12**	**7**	**12**	**3,904**

SEKm 31 Dec 2021	**Term < 1 year**	**Term 1–2 years**	**Term 2–3 years**	**Term 3–4 years**	**Term 4–5 years**	**Term >5 years**	**Total**
Loans from credit institutions	23	819	1,289	-	-	-	2,131
Commercial papers	150	-	-	-	-	-	150
Lease liabilities	59	41	27	12	3	1	143
Derivative financial liabilities	0	-	-	-	-	-	0
Trade and other payables, excluding other taxes and social security payables	1,129	-	-	-	-	-	1,129
Total	**1,361**	**860**	**1,316**	**12**	**3**	**1**	**3,553**

1) Contractual interest based on 3m EURIBOR and 3m STIBOR rates and applicable margins based on the net debt/EBITDA covenant per year end.

Capital risk management

In addition to the capital management disclosure in Note 19, the Group's priority in monitoring capital is to maintain compliance with the covenants in the applicable credit facilities agreements. Cloetta actively monitors these covenants and other ratios on a quarterly basis. The term and revolving facilities agreement, which is unsecured in nature, includes one covenant, relating to the net debt/EBITDA ratio. Throughout 2021 and 2022, the Group was in compliance with the covenant requirements.

Geopolitical developments

The war in Ukraine that erupted at the end of February 2022 entails risks of impact on the global economy, further cost inflation, and disruptions in supply chains. While Cloetta does not have any significant direct financial exposure to any of the countries involved, the company is indirectly impacted by rising input costs and the availability of raw materials.

Note 27 Financial instruments – measurement categories and fair values

Fair value measurement

The only items recognised at fair value are the single currency interest rate swaps categorised within level 2 of the fair value hierarchy in all periods presented. The fair values of the financial assets and liabilities measured at amortised cost are approximately equal to their carrying amounts.

The following table presents the carrying amounts and fair values of the Group's financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Carrying amount				Fair value			
SEKm 31 Dec 2022	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	-	941	-	941				
Single currency interest rate swaps	59	-	-	59	-	59	-	59
Cash and cash equivalents	-	583	-	583				
Total assets	**59**	**1,524**	**-**	**1,583**	**-**	**59**	**-**	**59**
Financial liabilities								
Loans from credit institutions	-	-	2,190	2,190				
Commercial papers	-	-	149	149				
Lease liabilities	-	-	156	156				
Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	-	-	1,252	1,252				
Total liabilities	**-**	**-**	**3,747**	**3,747**	**-**	**-**	**-**	**-**

	Carrying amount				Fair value			
SEKm 31 Dec 2021	Mandatorily at FVTPL	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade and other receivables, excluding other taxes and social security receivables and prepaid expenses and accrued income	-	721	-	721				
Single currency interest rate swaps	3	-	-	3	-	3	-	3
Cash and cash equivalents	-	692	-	692				
Total assets	**3**	**1,413**	**-**	**1,416**	**-**	**3**	**-**	**3**
Financial liabilities								
Loans from credit institutions	-	-	2,081	2,081				
Commercial papers	-	-	150	150				
Single currency interest rate swaps	0	-	-	0	-	0	-	0
Lease liabilities	-	-	143	143				
Trade and other payables, excluding other taxes and social security payables and excluding contingent consideration	-	-	1,129	1,129				
Total liabilities	**0**	**-**	**3,503**	**3,503**	**-**	**0**	**-**	**0**

The assets and liabilities measured at fair value at 31 December 2022 and 31 December 2021 respectively are reflected in derivative financial instruments. There are no financial instruments categorised within level 3 of the fair value hierarchy.

No transfers between fair value hierarchy levels have occurred during the financial year or the prior financial year.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included within level 2. The valuation of these instruments is based on quoted market prices (price-component), but the underlying contract amounts (quantity-component) are based on the specific requirements of the Group. These instruments are therefore included within level 2.

The valuation techniques and inputs used to value financial instruments are:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of single currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used, are specified as follows:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments			
– *Single currency interest rate swaps*	The valuation of the single currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.	Not applicable	Not applicable

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 2021 and 2022, 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 66–67 and Notes 6, 7 and 23. The Group has no receivables on the Board of Directors, Group Management Team and key employees. In 2021 and 2022, 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 13m (-7), of which SEK 9m (-5) is related to the Group Management Team. The increased costs compared to 2021 are the result of partial releases of unvested plans in 2021.

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	2022	2021	Recognised in:
Recognised expenses for leases under IFRS 16 amount to:			
Interest expense	-2	-2	net financial items, in the profit and loss account
Expense relating to short-term leases, where no right-of-use asset has been recognised	-4	-5	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to leases of low-value assets that are not short-term leases	-1	-1	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Expense relating to variable lease payments not included in lease liabilities	-21	-16	cost of goods sold, selling expenses and general and administrative expenses, in the profit and loss account
Total cash outflow for leases	-76	-70	cash flow from operating activities and financing activities, in the cash flow statement

The leases that have been recorded on Cloetta's balance sheet are categorised in land and buildings (offices and warehouses), transport (cars, forklifts and trucks) and other equipment (e.g. IT, machinery, equipment, printers and coffee machines).

Cloetta makes use of the exemptions under IFRS 16 for short-term leases and leases of low-value assets, except for any leases of vehicles with a remaining lease term at initial implementation date of less than 12 months.

For a number of lease arrangements Cloetta cannot reliably separate the lease and non-lease elements. For leases in the classes of assets "land and buildings" and "other equipment" the non-lease elements have been included in the calculation of the right-of-use asset.

Several lease arrangements contain extension or termination options. Insofar as Cloetta is reasonably certain of exercising the extension option or not exercising the termination option, these options have been reflected in the measurement of the lease liabilities.

See Note 13 for further details on right-of-use assets and Note 21 for further details on lease liabilities.

Note 30 Critical accounting estimates and judgements

In preparing the financial statements, the Group Management Team makes estimates and judgments that affect the reported amounts of assets and liabilities, net sales and expenses, and disclosures of contingent liabilities at the date of the financial statements. The estimates and assumptions that are associated with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year, as well as critical judgments in applying the Group's accounting policies are discussed below. The accounting estimates and judgments are believed to be reasonable under the circumstances.

The Group Management Team and audit committee have discussed the development, selection and disclosures regarding the Group's critical accounting principles and estimates. The estimates and judgments made in the application of the Group's accounting policies are described below.

Impairment testing of intangible assets

For the purpose of impairment testing, assets are allocated to CGUs or groups of CGUs when it is not possible to assess impairment on an individual asset level. The recoverable amount of an asset is compared to the carrying amount to determine if an asset is impaired. An asset's recoverable amount is the higher of its value in use and its fair value less cost of disposal. The value in use is the present value of the future cash flows to be generated by an asset from its continuing use in the business.

Using the company management's best estimates in determination of the terminal growth rates, pre-tax discount rates and future cash flows, the estimated recoverable amounts of the group of CGUs for goodwill impairment testing in Sweden, Denmark & Norway, Finland, the Netherlands & Germany and International Markets & the UK and the CGUs for trademarks impairment testing in Sweden, Finland and the Netherlands exceed the carrying amounts. For all groups of CGUs a reasonable change in assumptions will not lead to an impairment.

The carrying amount of the intangible assets at the end of the reporting period was SEK 5,883m (5,582).

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 345m (504).

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.

Greenfield facility
The Group applied judgement to determine the remaining economic useful lifetimes and the expected future use of the assets in the three factories that are to be closed in connection with the establishment of the new greenfield facility. Based on these judgements impairment of assets for in total SEK 134m has been recognised in 2022.

The additions to the restructuring provisions for severance payments and outplacement costs of SEK 110m are subject to judgement applied by the Group. The uncertainties about the timing and amount for the restructuring provisions are subject to the outcome of the negotiations with employee representative organisations regarding the terms of the restructuring plan and the future turnover of employees affected by the plan.

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 2022.

A number of amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022. 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 2022, 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.et effective that are expected to have a material impact on the Group.

Parent Company financial statements

Parent Company profit and loss account

SEKm	Note	2022	2021
Net sales	P2	97	86
Gross profit		**97**	**86**
General and administrative expenses	P3, P4	-123	-112
Operating loss		**-26**	**-26**
Exchange differences on borrowings and cash	P5	2	-2
Other financial income	P5	35	101
Other financial expenses	P5	-107	-30
Net financial items		**-70**	**69**
Profit/loss before tax		**-96**	**43**
Income tax	P6	20	-12
Profit/loss for the year		**-76**	**31**

Profit/loss 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 2022	31 Dec 2021
ASSETS			
Non-current financial assets			
Deferred tax asset	P7	26	5
Shareholdings in group companies	P8	4,884	4,884
Derivative financial instruments	P12	2	1
Receivables from group companies	P15	474	465
Total non-current financial assets		**5,386**	**5,355**
Current assets			
Derivative financial instruments	P12	16	1
Receivables from group companies	P15	2	88
Current income tax assets	P7	13	-
Other receivables		2	2
Cash and bank	P9	0	0
Total current assets		**33**	**91**
Total assets		**5,419**	**5,446**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,443	1,443
Share premium		2,712	2,712
Treasury shares		-78	-44
Retained earnings including profit for the year		-1,597	-1,247
Equity attributable to owners of the Parent Company	P10	**2,480**	**2,864**
Non-current liabilities			
Borrowings	P11	799	799
Payables to group companies	P15	142	139
Deferred tax liability	P7	3	-
Provisions		2	2
Total non-current liabilities		**946**	**940**
Current liabilities			
Borrowings	P11	149	150
Payables to group companies	P15	1,814	1,449
Trade payables		3	3
Other current liabilities		8	7
Accrued expenses and deferred income	P13	19	20
Current income tax liabilities	P7	-	13
Total current liabilities		**1,993**	**1,642**
Total equity and liabilities		**5,419**	**5,446**

Parent Company statement of changes in equity

SEKm	Share capital	Share premium reserve	Treasury shares	Retained earnings	Total equity
Balance at 1 January 2021	**1,443**	**2,712**	-	**-1,055**	**3,100**
Comprehensive income					
Profit for the year	-	-	-	31	31
Total comprehensive income for 2021	**-**	**-**	**-**	**31**	**31**
Transactions with owners					
Purchase of treasury shares	-	-	-44	-	-44
Share-based payments	-	-	-	-7	-7
Dividend[1]	-	-	-	-216	-216
Total transactions with owners	**-**	**-**	**-44**	**-223**	**-267**
Balance at 31 December 2021	**1,443**	**2,712**	**-44**	**-1,247**	**2,864**
Comprehensive income					
Loss for the year	-	-	-	-76	-76
Total comprehensive income for 2022	**-**	**-**	**-**	**-76**	**-76**
Transactions with owners					
Purchase of treasury shares	-	-	-34	-	-34
Share-based payments	-	-	-	13	13
Dividend[1]	-	-	-	-287	-287
Total transactions with owners	**-**	**-**	**-34**	**-274**	**-308**
Balance at 31 December 2022	**1,443**	**2,712**	**-78**	**-1,597**	**2,480**

1) The dividend paid in 2022 comprised a dividend of SEK 1.00 (0.75) per share.

Profit/loss 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	2022	2021
Operating loss		**-26**	**-26**
Interest paid		-34	-25
Income tax paid		-25	-17
Cash flow from operating activities before changes in working capital		**-85**	**-68**
Cash flow from changes in working capital			
Change in operating receivables		87	74
Change in operating liabilities		319	354
Cash flow from operating activities		**321**	**360**
Cash flow from operating and investing activities		**321**	**360**
Financing activities			
Repayment of interest-bearing borrowings		-598	-849
Proceeds from borrowings		597	750
Dividends to shareholders		-287	-216
Transaction costs paid		-1	-2
Purchase of treasury shares		-34	-44
Cash flow from financing activities		**-323**	**-361**
Cash flow for the year		**-2**	**-1**
Cash and cash equivalents at beginning of year	P9	**0**	**0**
Cash flow for the year		-2	-1
Exchange difference		2	1
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 2022. Unless otherwise stated below, the accounting standards for the Parent Company have been consistently applied in the period.

Changed accounting standards

Neither revised IFRSs, nor revised RFR 2 (January 2018) effective from 1 January 2022 have entailed any practical change in the accounting standards for the Parent Company.

Differences between the accounting policies of the Group and the Parent Company

The differences between the accounting principles applied by the Group and the Parent Company are described below.

Classification and presentation

The profit and loss account and balance sheet of the Parent Company are presented in accordance with the Swedish Annual Accounts Act. The differences compared to IAS 1, Presentation of Financial Statements, relate mainly to financial income and expenses, equity and the presentation of provisions as a separate item in the balance sheet.

Borrowing costs

Borrowing costs are expensed when incurred and recognised in the other financial expenses in the profit and loss account.

Group contributions

Group contributions received are recognised in other financial income in the profit and loss account. Group contributions paid to group companies are reported by the Parent Company as other financial expenses in the profit and loss account.

Shareholdings in group companies

Shareholdings in group companies are accounted for at acquisition costs. The transaction costs are included in the carrying amount of shareholdings in group companies.

Dividends

Anticipated dividends from group companies are recognised in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Dividends received from group companies are recognised in the profit and loss account.

Employee benefits

Remeasurements arising from defined benefit plans also include the return on plan assets excluding interest and the effect of the asset ceiling, if any, excluding interest. Remeasurements are recognised in the profit and loss account when incurred. Salary increases are not taken into account in the calculation of the defined benefit obligation, and the applied discount rate is established by the Swedish Financial Supervisory Authority. All other expenses related to defined benefit plans are recognised in the general and administrative expenses in the profit and loss account when incurred.

Financial guarantees

For reporting of financial guarantee contracts on behalf of group companies, the Parent Company applies a voluntary exemption that is permitted by the Swedish Financial Reporting Board. The voluntary exemption relates to financial guarantees issued on behalf of group companies. The Parent Company recognises financial guarantee contracts as provisions in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation. The costs are recognised in the general and administrative expenses in the profit and loss account.

Note P2 Breakdown of income

The net sales of SEK 97m (86) relate to intra-group services and intra-group royalty income.

The breakdown of net sales by market is as follows:

SEKm	2022	2021
Sweden	38	35
The Netherlands	21	19
Finland	9	8
Other	29	24
Total	**97**	**86**

Note P3 Personnel expenses and number of employees

SEKm	2022	2021
Salaries and remuneration Group Management Team		
– Sweden	28	22
Of which, short-term variable compensation		
– Sweden	10	11
Total salaries and remuneration	**28**	**22**
Pension costs Group Management Team		
– Defined contribution plans	4	4
– Defined benefit plans	-	-
Total pension costs	**4**	**4**
Social security expenses, all employees	9	4
Total pension costs and social security expenses	**13**	**8**
Total personnel expenses	**41**	**30**

See pages 66–67 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 0 (0) are women. All employees are employed in Sweden.

The specification of gender distribution in the Board of Directors and Group Management Team is as follows:

%	2022	2021
Percentage of women		
Board of Directors	38	29
Group Management Team	20	20

Note P4 Audit fees

SEKm	2022	2021
Fee for auditing services	**3**	**3**
Fee for other services		
– Tax advice	-	-
– Audit-related advice	-	-
– Other	-	-
Total other services	**-**	**-**
Total audit fees	**3**	**3**

For both the financial years 2021 and 2022 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	2022	2021
Exchange differences on borrowings and cash	**2**	**-2**
Group contributions	-	88
Interest income, group companies	13	8
Unrealised gains on single currency interest rate swaps	17	5
Realised gains on single currency interest rate swaps	5	-
Other financial income	**35**	**101**
Group contributions	-55	-
Interest expenses, third-party borrowings	-16	-9
Interest expenses, group companies	-36	-16
Interest expenses on third-party pensions	0	0
Realised losses on single currency interest rate swaps	-	-4
Other interest expenses	0	-1
Other financial expenses	**-107**	**-30**
Net financial items	**-70**	**69**

Note P6 Income taxes

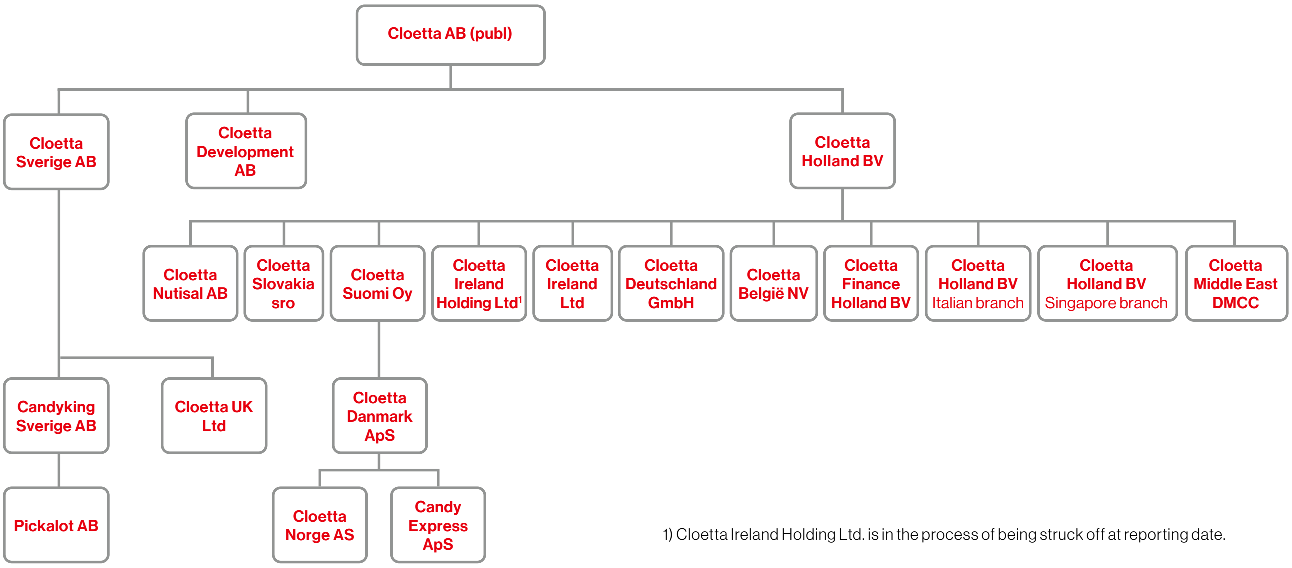
SEKm	2022	2021
Current income tax	3	-11
Deferred income tax	17	-1
Total	**20**	**-12**
The year's income tax expense corresponds to an effective tax rate of, %	21.1	26.9

SEKm	2022	2021
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	-96	43
Tax calculated at applicable tax rate for the Parent Company	20	-9
Expenses not deductible for tax purposes	0	-2
Adjustments recognised in the period for tax for prior periods	1	-1
Other	-1	0
Income tax	**20**	**-12**
Reported effective tax rate, %	21.1	26.9
Tax rate in Sweden, %	20.6	20.6

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 26m (5) and is considered to be realised after more than 12 months. The recognised deferred taxes comprise deductible temporary differences of SEK 20m (5) and unutilised tax losses carried forward of SEK 6m (0). There are no unrecognised deferred taxes.

Note P8 Shareholdings in group companies



1) Cloetta Ireland Holding Ltd. is in the process of being struck off at reporting date.

	Corp. ID no.	Domicile	% of capital 2022	% of capital 2021	Carrying amount in SEKm 2022	Carrying amount in SEKm 2021
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	-	-
Candy Express ApS[2]	42377732	Brøndby, Denmark	100	100	-	-
Cloetta Norge AS	987943033	Høvik, Norway	100	100	-	-
Cloetta Deutschland GmbH	HRB 9561	Bocholt, Germany	100	100	-	-
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.[5]	544426	Dublin, Ireland	100	100	-	-
Cloetta Ireland Ltd.[4]	285910	Dublin, Ireland	100	100	-	-
Candymix Ireland Ltd.[3]	494493	Dublin, Ireland	-	-	-	-
Cloetta Middle East DMCC	DMCC156985	Dubai, United Arab Emirates	100	100	-	-
Cloetta Sverige AB	556674-9155	Malmö, Sweden	100	100	795	795
Candyking Sverige AB	556319-6780	Stockholm, Sweden	100	100	-	-
Pickalot AB	556730-1857	Stockholm, Sweden	100	100	-	-
Cloetta UK Ltd.	01726257	Hampshire, United Kingdom	100	100	-	-
Cloetta UK Dormant Ltd.[1]	06775890	Heysham, United Kingdom	-	-	-	-
Cloetta Development AB	556377-3182	Linköping, Sweden	100	100	2	2
Total					**4,884**	**4,884**

1) On 16 March 2021, Cloetta UK Dormant Ltd was dissolved.
2) On 27 April 2021, Candy Express ApS was incorporated.
3) On 3 June 2021, Candymix Ireland Ltd was dissolved.
4) On 9 December 2021, Cloetta Ireland Holding Ltd sold Cloetta Ireland Ltd. to Cloetta Holland B.V.
5) On 13 February 2023, Cloetta Ireland Holding Ltd was struck off.

See Note 1 for disclosures on changes in Group structure.

Note P9 Cash and cash equivalents

A Multicurrency Zero Balancing Cash Pool (MZBCP) is in place, which is held by Cloetta Holland B.V. As a result, only the cash at bank accounts outside the MZBCP is presented for Cloetta AB (publ).

See Note 18 for further details.

Note P10 Equity

Share capital
See Note 19 for a description of the share capital of the Parent Company.

Non-restricted equity

Retained earnings
Retained earnings comprise the sum of profit for the year and retained earnings from previous years. Retained earnings including the share premium reserve represent the amount of non-restricted equity available for distribution to the shareholders.

Treasury shares
Cloetta has purchased 1,590,629 shares at an average share price, including incremental transaction costs, of SEK 27.8942 during the period 1 November 2021 till 9 November 2021. Cloetta has purchased 1,622,932 shares at an average share price, including incremental transaction costs, of SEK 20.6560 during the period 31 October 2022 till 23 November 2022. These shares are held as treasury shares. The treasury shares are held with the purpose of issuing shares to the participants of LTI'21 and LTI'22 at vesting date.

Dividend
The Annual General Meeting (AGM) approved the following dividend on 6 April 2021 and 6 April 2022:

	2022	2021
Dividend per share, SEK	1.00	0.75
Total dividend, SEKm	287	216
Dividend as a percentage of profit of the Cloetta Group for the previous year	61	82
Payment date	April 2022	April 2021

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

	2022	2021
Dividend per share, SEK	1.00	1.00
Total dividend, SEKm	**285**	**287**

The Board of Directors proposes that the total earnings in the Parent Company at the disposal of the AGM of SEK 1,115m (1,465) are to be distributed as follows: SEK 285m (287) to be distributed to the shareholders and SEK 830m (1,178) to be carried forward to new account.

Note P11 Borrowings

The Parent Company's borrowings consist of loans from credit institutions for a net amount of SEK 799m (799) and commercial papers of SEK 149m (150).

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 2021	**-**	**1,050**	**1,050**
Changes from financing cash flows			
Proceeds from commercial papers	-	750	750
Repayment of commercial papers	-	-849	-849
Transaction costs paid	-2	0	-2
Other changes from financing cash flows	-	-1	-1
Total changes from financing cash flows	**-2**	**-100**	**-102**
Other changes			
Reclassification between long-term and short-term borrowings	800	-800	-
Amortisation of capitalised transaction costs	1	-	1
Interest expenses, third-party borrowings	8	1	9
Interest paid	-8	-1	-9
Total other changes	**801**	**-800**	**1**
Balance at 31 December 2021	**799**	**150**	**949**
Changes from financing cash flows			
Proceeds from commercial papers	-	597	597
Repayment of commercial papers	-	-598	-598
Transaction costs paid	-1	-	-1
Total changes from financing cash flows	**-1**	**-1**	**-2**
Other changes			
Reclassification between long-term and short-term borrowings	1	-1	-
Amortisation of capitalised transaction costs	-	1	1
Interest expenses, third-party borrowings	14	2	16
Interest paid	-14	-2	-16
Total other changes	**1**	**0**	**1**
Balance at 31 December 2022	**799**	**149**	**948**

See Note 21 for the disclosure of the borrowings.

Note P12 Derivative financial instruments

The derivative financial instruments comprise single currency interest rate swap assets amounting to SEK 18m (2) of which SEK 2m (1) is non-current in nature.

Note P13 Accrued expenses and deferred income

Accrued expenses and deferred income amount to SEK 19m (20), of which SEK 14m (15) is related to accrued personnel-related expenses and SEK 5m (5) to other accrued expenses and deferred income.

Note P14 Pledged assets and contingent liabilities

SEKm	31 Dec 2022	31 Dec 2021
Contingent liabilities		
Guarantees on behalf of group companies	561	611
Guarantee for loans from credit institutions for group companies	1,390	1,281
Total	**1,951**	**1,892**

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 company issued a support letter to Cloetta Ireland Ltd. 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 2022	31 Dec 2021
Non-current interest-bearing receivables	474	465
Current interest-free receivables	2	88
Non-current interest-bearing payables	-142	-139
Current interest-bearing payables	-1,814	-1,449
Total	**-1,480**	**-1,035**

For the Parent Company, SEK 97m (86), equal to 100 per cent (100) of the year's net sales, and SEK 68m (66), equal to 55 per cent (59) 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 2022, the Parent Company's receivables from group companies amounted to SEK 476m (553) and liabilities to subsidiaries amounted to SEK 1,956m (1,588). 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 4m (-3), of which SEK 4m (-3) is related to the Group Management Team.

The Parent Company has no past experience of credit losses on receivables from group companies and future credit losses are expected to be immaterial.

Proposed appropriation of earnings

Earnings in the Parent Company at the disposal of the Annual General Meeting		2022
Share premium reserve	SEK	2,711,620,366
Retained earnings	SEK	-1,520,529,063
Profit for the year	SEK	-76,087,887
Total	**SEK**	**1,115,003,416**

The Board of Directors proposes that dividends be paid in a total amount of SEK 285,405,738 equal to SEK 1.00 per share. The Board of Directors proposes that the earnings be disposed of as follows:

The earnings are to be disposed as follows:		2022
To be distributed to the shareholders	SEK	285,405,738
To be carried forward to new account	SEK	829,597,678
Total	**SEK**	**1,115,003,416**

The number of shares at 31 December 2022 was 288,619,299, of which 3,213,561 were held in treasury.

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, 9 March 2023

Mikael Norman
Chairman

Lottie Knutson
Member of the Board

Patrick Bergander
Member of the Board

Malin Jennerholm
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 9 March 2023

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 4 April 2023. The information in this report is subject to the disclosure requirements of Cloetta AB (publ) under the provisions in the Swedish Securities Market Act. The information was submitted for publication on 13 March 2023, 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 2022 except for the corporate governance statement on pages 60–75. The annual accounts and consolidated accounts of the company are included on pages 47–126 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 2022 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 2022 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 60–75. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. 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 matters	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 MSEK 5 813 (MSEK 5 501) as of 31 December 2022. The group annually performs an impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating unit in which goodwill and other intangible assets are reported, as required by IFRS. Impairment tests, by their nature, are based on a high level of judgments and assumptions regarding future cash flows. Information is provided in Note 1 and 12 as to how the group's management has undertaken its assessments and provides information on important assumptions and sensitivity analyses. As described in Note 12, 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 in 2022 based on the assumptions undertaken.	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 assumptions in order to assess the risk for impairment. We have also assessed the disclosures included in the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and 127–156. Other information also consists of the renumeration report 2022 which we obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss

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 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization 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 organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Cloetta AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Cloetta AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report has been marked with iXBRL in accordance with what follows from the ESEF regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 60–75 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Cloetta AB (publ) by the general meeting of the shareholders on the 6 April 2022 and has been the company's auditor since the 4 April 2019.

Stockholm 9 March 2023

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt	Erik Bergh
Authorized Public Accountant	*Authorized Public Accountant*
Partner in charge	

Ten-year overview

SEKm	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Profit and loss account in summary										
Net sales	6,869	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893
Cost of goods sold	-4,738	-3,898	-3,718	-4,112	-3,934	-3,678	-3,084	-3,463	-3,325	-3,081
Gross profit	**2,131**	**2,148**	**1,977**	**2,381**	**2,284**	**2,106**	**2,023**	**2,211**	**1,988**	**1,812**
Other operating income	-	-	-	-	4	6	-	0	5	12
Selling expenses	-1,009	-938	-951	-1,011	-1,025	-972	-806	-949	-892	-850
General and administrative expenses	-656	-645	-584	-643	-603	-613	-582	-591	-524	-556
Operating profit	**466**	**565**	**442**	**727**	**660**	**527**	**635**	**671**	**577**	**418**
Exchange differences cash and cash equivalents in foreign currencies	-143	33	-10	-19	-16	-17	-8	-1	-11	-12
Other financial income	83	9	3	2	5	7	17	6	4	24
Other financial expenses	-63	-49	-52	-62	-87	-74	-175	-183	-232	-220
Net financial items	**-123**	**-7**	**-59**	**-79**	**-98**	**-84**	**-166**	**-178**	**-239**	**-208**
Profit before tax	**343**	**558**	**383**	**648**	**562**	**443**	**469**	**493**	**338**	**210**
Income tax expense	-68	-86	-118	-150	-79	-206	-122	-107	-96	54
Profit for the period for continuing operations	**275**	**472**	**265**	**498**	**483**	**237**	**347**	**386**	**242**	**264**
Result after tax from discontinued operations	-	-	-	-	-	-334	-538	-	-	-
Net profit/loss for the period	**275**	**472**	**265**	**498**	**483**	**-97**	**-191**	**386**	**242**	**264**
Profit for the period attributable to:										
Owners of the Parent Company										
Continuing operations	275	472	265	498	483	237	347	386	242	264
Discontinued operation	-	-	-	-	-	-334	-538	-	-	-
Total	**275**	**472**	**265**	**498**	**483**	**-97**	**-191**	**386**	**242**	**264**

SEKm	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Balance sheet in summary										
Intangible assets	5,883	5,582	5,530	5,684	5,626	5,490	5,354	5,948	5,882	5,252
Property, plant and equipment	1,581	1,576	1,560	1,559	1,354	1,338	1,700	1,698	1,667	1,660
Deferred tax asset	43	42	21	9	16	20	54	64	84	73
Derivative financial instruments	25	2	-	-	-	-	-	-	-	-
Other financial assets	3	5	3	7	11	11	13	27	105	91
Total non-current assets	**7,535**	**7,207**	**7,114**	**7,259**	**7,007**	**6,859**	**7,121**	**7,737**	**7,738**	**7,076**
Inventories	1,090	843	952	888	765	745	780	786	853	798
Trade and other receivables	1,030	787	736	928	838	881	988	975	1,121	933
Current income tax assets	44	19	30	6	6	8	36	3	3	0
Derivative financial instruments	34	1	-	-	1	0	4	1	2	-
Cash and cash equivalents	583	692	396	579	551	759	298	246	229	167
Total current assets	**2,781**	**2,342**	**2,114**	**2,401**	**2,161**	**2,393**	**2,106**	**2,011**	**2,208**	**1,898**
Assets held for sale	-	-	-	-	-	-	9	11	16	15
TOTAL ASSETS	**10,316**	**9,549**	**9,228**	**9,660**	**9,168**	**9,252**	**9,236**	**9,759**	**9,962**	**8,989**
Equity	**4,994**	**4,515**	**4,153**	**4,197**	**3,968**	**3,818**	**4,199**	**4,344**	**4,048**	**3,747**
Long-term borrowings	2,277	2,162	111	939	2,076	1,715	2,666	2,612	2,993	3,096
Deferred tax liability	884	863	836	803	754	703	586	621	483	397
Derivative financial instruments	-	-	0	3	3	2	12	44	56	21
Other non-current liabilities	-	-	-	-	-	138	-	43	147	2
Provisions for pensions and other long-term employee benefits	345	505	512	499	419	374	396	378	505	360
Provisions	107	-	5	5	9	5	22	10	16	7
Total non-current liabilities	**3,613**	**3,530**	**1,464**	**2,249**	**3,261**	**2,937**	**3,682**	**3,708**	**4,200**	**3,883**
Short-term borrowings	207	206	2,368	1,870	500	999	2	344	423	212
Derivative financial instruments	-	0	54	68	61	71	54	35	16	2
Trade and other payables	1,419	1,267	1,144	1,227	1,342	1,394	1,196	1,216	1,152	967
Provisions	6	5	24	5	23	3	64	57	65	79
Current income tax liabilities	77	26	21	44	13	30	39	55	58	99
Total current liabilities	**1,709**	**1,504**	**3,611**	**3,214**	**1,939**	**2,497**	**1,355**	**1,707**	**1,714**	**1,359**
Total equity and liabilities	**10,316**	**9,549**	**9,228**	**9,660**	**9,168**	**9,252**	**9,236**	**9,759**	**9,962**	**8,989**

Key ratios

SEKm	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Profit										
Net sales	6,869	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893
Net sales, change %	13.6	6.2	-12.3	4.4	7.5	13.3	n/a	6.8	8.6	0.7
Organic net sales, change, %	10.0	8.4	-11.2	2.3	-2.8	-1.2	n/a	1.5	1.0	-1.0
Gross margin, %	31.0	35.5	34.7	36.7	36.7	36.4	39.6	39.0	37.4	37.0
Depreciation	-251	-250	-270	-290	-218	-218	-206	-227	-198	-175
Amortisation	-11	-10	-10	-11	-12	-11	-5	-4	-3	-2
Impairment loss other non-current assets	-136	-1	-13	-2	-	-9	-2	-	-	-
Operating profit (EBIT), adjusted	691	571	495	743	677	604	695	690	632	585
Operating profit margin (EBIT margin), adjusted %	10.1	9.4	8.7	11.4	10.9	10.4	13.6	12.2	11.9	12.0
Operating profit (EBIT)	466	565	442	727	660	527	635	671	577	418
Operating profit margin (EBIT margin), %	6.8	9.3	7.8	11.2	10.6	9.1	12.4	11.8	10.9	8.5
EBITDA, adjusted	955	832	777	1,046	907	833	906	921	833	762
EBITDA	864	826	735	1,030	890	765	848	902	778	595
Profit margin, %	5.0	9.2	6.7	10.0	9.0	7.7	9.2	8.7	6.4	4.3
Segments										
Branded packaged products										
Net sales	5,169	4,686	4,527	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating profit, adjusted	669	577	649	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating profit margin, adjusted %	12.9	12.3	14.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pick & mix										
Net sales	1,700	1,360	1,168	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating profit, adjusted	22	-6	-154	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Operating profit margin, adjusted %	1.3	-0.4	-13.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Financial position										
Working capital	701	363	540	589	402	232	572	628	819	763
Capital expenditure	296	230	357	235	184	157	170	161	186	211
Net debt	1,855	1,679	2,139	2,302	2,091	2,035	2,443	2,818	3,308	3,230
Capital employed	7,823	7,388	7,198	7,576	7,027	6,979	7,329	7,756	8,041	7,438
Return on capital employed, % [1]	7.2	7.9	6.0	10.0	9.5	8.2	11.1	8.6	7.5	6.1
Equity/assets ratio, %	48.4	47.3	45.0	43.4	43.3	41.3	45.5	44.5	40.6	41.7
Net debt/equity ratio, %	37.1	37.2	51.5	54.8	52.7	53.3	58.2	64.9	81.7	86.2
Return on equity, %	5.5	10.5	6.4	11.9	12.2	6.2	-4.5	8.9	6.0	7.0
Equity per share, SEK	17.5	15.7	14.4	14.5	13.7	13.2	14.5	15.1	14.0	13.0
Net debt/EBITDA, x	1.9	2.0	2.8	2.2	2.3	2.4	2.4	3.0	4.0	4.2
Cash flow										
Cash flow from operating activities	519	858	641	724	628	712	889	927	500	131
Cash flow from investing activities	-213	-191	-274	-330	-184	-22	-322	-367	-369	-202
Cash flow after investments	306	667	367	394	444	690	567	560	131	-71
Free cash flow	305	664	366	538	444	555	719	766	318	-80
Free cash flow yield, %	5.1	8.8	5.2	5.9	6.3	6.5	8.7	9.5	4.9	-1.4
Cash flow from operating activities per share, SEK	1.8	3.0	2.2	2.5	2.2	2.5	3.1	3.2	1.7	0.5

1) Return on capital employed for 2016 was calculated pro-forma for continuing operations.
2) Average number of employees is presented for continuing operations in 2017. Employee numbers in 2019 have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.
3) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of its long-term share-based incentive plan. The table in Note 22 presents the movements in the contracts since 1 January 2021. The contract has been settled in the second quarter of 2021. During 1 till 9 November 2021 and during 31 October till 23 November 2022 Cloetta purchased 1,590,629 and 1,622,932 treasury shares respectively to fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan, if vesting conditions are met.
4) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Employees										
Average number of employees[2]	2,598	2,599	2,653	2,629	2,458	2,467	2,115	2,583	2,533	2,472
Share data										
Earnings per share, SEK										
Basic[3]	0.96	1.64	0.92	1.74	1.69	-0.34	-0.67	1.35	0.84	0.92
Diluted[3]	0.96	1.64	0.92	1.74	1.68	-0.34	-0.67	1.35	0.84	0.92
Earnings per share from continuing operations, SEK										
Basic[3]	0.96	1.64	0.92	1.74	1.69	0.83	1.21	1.35	0.84	0.92
Diluted[3]	0.96	1.64	0.92	1.74	1.68	0.83	1.21	1.35	0.84	0.92
Earnings per share from discontinued operation, SEK										
Basic[3]	-	-	-	-	-	-1.17	-1.88	-	-	-
Diluted[3]	-	-	-	-	-	-1.17	-1.88	-	-	-
Ordinary dividend per share, proposed, SEK[4]	1.00	1.00	0.75	0.50	1.00	0.75	0.75	0.50	-	-
Special dividend per share, SEK	-	-	-	-	-	0.75	-	-	-	-
Number of shares outstanding at end of period[3]	285,405,738	287,028,670	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Average number of shares (basic)[3]	286,806,351	287,480,924	286,590,993	286,578,395	286,492,413	286,320,464	286,193,024	286,290,840	286,987,990	288,010,947
Average number of shares (diluted)[3]	286,890,237	287,518,726	286,805,203	286,724,049	286,650,070	286,492,178	286,447,465	286,561,607	287,092,780	288,026,408
Share-price at year-end, SEK	20.86	26.20	24.52	31.70	24.30	29.70	28.70	28.00	22.60	19.40
Exchange Rates										
EUR, average	10.6346	10.1527	10.4880	10.5815	10.2543	9.6362	9.4700	9.3445	9.1051	8.6513
EUR, end of period	11.1218	10.2503	10.0343	10.4468	10.2274	9.8210	9.5804	9.1679	9.3829	8.8630
NOK, average	1.0532	0.9991	0.9757	1.0748	1.0672	1.0324	1.0200	1.0432	1.0882	1.1071
NOK, end of period	1.0578	1.0262	0.9584	1.0591	1.0294	0.9997	1.0548	0.9563	1.0439	1.0592
GBP, average	12.4689	11.8203	11.7868	12.0732	11.5917	10.9909	11.5480	12.8736	11.3118	10.1987
GBP, end of period	12.5397	12.1987	11.1613	12.2788	11.3992	11.0684	11.1673	12.4835	12.0340	10.6501
DKK, average	1.4295	1.3652	1.4070	1.4173	1.3760	1.2956	1.2721	1.2529	1.2215	1.1601
DKK, end of period	1.4956	1.3784	1.3485	1.3982	1.3698	1.3192	1.2888	1.2287	1.2604	1.1882

1) Return on capital employed for 2016 was calculated pro-forma for continuing operations.
2) Average number of employees is presented for continuing operations in 2017. Employee numbers in 2019 have been updated following the implementation of a new company-wide HR system. Comparative figures have not been restated.
3) Cloetta entered into forward contracts to repurchase own shares to fulfill its future obligation to deliver the shares to the participants of its long-term share-based incentive plan. The table in Note 22 presents the movements in the contracts since 1 January 2021. The contract has been settled in the second quarter of 2021. During 1 till 9 November 2021 and during 31 October till 23 November 2022 Cloetta purchased 1,590,629 and 1,622,932 treasury shares respectivelyto fulfill its future obligation to deliver shares to the participants of the long-term share-based incentive plan, if vesting conditions are met.
4) In March 2020, the Board of Directors decided to withdraw its proposal for a dividend for the 2019 financial year of SEK 1.00 per share, as a result of the increased uncertainty due to the Covid-19 pandemic. In September 2020, the Board of Directors proposed a dividend of SEK 0.50 per share for the 2019 financial year, considering Cloetta's strong financial position and cash generative business model. The EGM on 3 November 2020 approved this dividend proposal.

Reconciliation of alternative performance measures

SEKm	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Items affecting comparability										
Acquisitions, integration and restructurings	-249	-6	-53	-13	-38	-62	-43	-47	-85	-167
of which: impairment loss other non-current assets	*-134*	-	*-11*	-	-	*-9*	*-2*	-	-	-
Remeasurements of contingent considerations	-	-	-	-	21	5	-17	33	27	-
Remeasurements of assets held for sale	-	-	-	-	-	-	-	-5	-	-
Other items affecting comparability	24	-	-	-3	0	-20	-	-	3	-
Items affecting comparability	**-225**	**-6**	**-53**	**-16**	**-17**	**-77**	**-60**	**-19**	**-55**	**-167**
Corresponding line in the condensed consolidated profit and loss account:										
Net sales	-	-	-	-	0	-	-	-4	-	-
Cost of goods sold	-210	1	-19	2	3	-39	-15	-22	-51	-121
Other operating income	-	-	-	-	4	4	-	-	3	12
Selling expenses	-4	-	-12	-6	-1	-6	-	-12	-7	-4
General and administrative expenses	-11	-7	-22	-12	-23	-36	-45	19	-	-54
Total	**-225**	**-6**	**-53**	**-16**	**-17**	**-77**	**-60**	**-19**	**-55**	**-167**
Operating profit, adjusted[1]										
Operating profit	466	565	442	727	660	527	635	671	577	418
Minus: Items affecting comparability	-225	-6	-53	-16	-17	-77	-60	-19	-55	-167
Operating profit, adjusted	**691**	**571**	**495**	**743**	**677**	**604**	**695**	**690**	**632**	**585**
Net sales	6,869	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893
Operating profit margin, adjusted, %	**10.1**	**9.4**	**8.7**	**11.4**	**10.9**	**10.4**	**13.6**	**12.2**	**11.9**	**12.0**
EBITDA, adjusted[1]										
Operating profit	466	565	442	727	660	527	635	671	577	418
Minus: Depreciation	-251	-250	-270	-290	-218	-218	-206	-227	-198	-175
Minus: Amortisation	-11	-10	-10	-11	-12	-11	-5	-4	-3	-2
Minus: Impairment loss other non-current assets	-136	-1	-13	-2	-	-9	-2	-	-	-
EBITDA	**864**	**826**	**735**	**1,030**	**890**	**765**	**848**	**902**	**778**	**595**
Minus: Items affecting comparability (excl. impairment loss goodwill and trademarks and other non-current assets)	-91	-6	-42	-16	-17	-68	-58	-19	-55	-167
EBITDA, adjusted	**955**	**832**	**777**	**1,046**	**907**	**833**	**906**	**921**	**833**	**762**

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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Capital employed[1,2]										
Total assets	10,316	9,549	9,228	9,660	9,168	9,252	9,236	9,759	9,962	8,989
Minus: Deferred tax liability	884	863	836	803	754	703	586	621	483	397
Minus: Other non-current liabilities	-	-	-	-	-	138	-	43	147	2
Minus: Non-current provisions	107	-	5	5	9	5	22	10	16	7
Minus: Current provisions	6	5	24	5	23	3	64	57	65	79
Minus: Trade and other payables	1,419	1,267	1,144	1,227	1,342	1,394	1,196	1,216	1,152	967
Minus: Current income tax liabilities	77	26	21	44	13	30	39	55	58	99
Plus: Interest-bearing other current liabilities	-	-	-	-	-	-	-	-1	-	-
Capital employed	**7,823**	**7,388**	**7,198**	**7,576**	**7,027**	**6,979**	**7,329**	**7,756**	**8,041**	**7,438**
Capital employed comparative period previous year	7,388	7,198	7,576	7,027	6,979	5,966	7,756	8,041	7,438	7,066
Average capital employed	**7,606**	**7,293**	**7,387**	**7,302**	**7,003**	**6,473**	**7,543**	**7,899**	**7,740**	**7,252**
Return on capital employed[1,2]										
Operating profit (rolling 12 months)	466	565	442	727	660	527	635	671	577	418
Financial income (rolling 12 months)	83	9	3	2	5	7	17	6	4	24
Operating profit plus financial income (rolling 12 months)	**549**	**574**	**445**	**729**	**665**	**534**	**652**	**677**	**581**	**442**
Average capital employed	7,606	7,293	7,387	7,302	7,003	6,473	5,879	7,899	7,740	7,252
Return on capital employed, %	**7.2**	**7.9**	**6.0**	**10.0**	**9.5**	**8.2**	**11.1**	**8.6**	**7.5**	**6.1**
Free cash flow yield[1]										
Cash flow from operating activities (Rolling 12 months)	519	858	641	724	628	712	889	927	500	131
Cash flows from investments in property, plant and equipment and intangible assets (Rolling 12 months)	-214	-194	-275	-186	-184	-157	-170	-161	-182	-211
Free cash flow (Rolling 12 months)	**305**	**664**	**366**	**538**	**444**	**555**	**719**	**766**	**318**	**-80**
Number of shares outstanding	285,405,738	287,028,670	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299	288,619,299
Free cash flow per share (Rolling 12 months), SEK	1.07	2.31	1.27	1.86	1.54	1.92	2.49	2.65	1.10	-0.28
Market price per share, SEK	20.86	26.20	24.52	31.70	24.30	29.70	28.70	28.00	22.60	19.40
Free cash flow yield (Rolling 12 months), %	**5.1**	**8.8**	**5.2**	**5.9**	**6.3**	**6.5**	**8.7**	**9.5**	**4.9**	**-1.4**
Changes in net sales										
Net sales	6,869	6,046	5,695	6,493	6,218	5,784	5,107	5,674	5,313	4,893
Net sales comparative period previous year	6,046	5,695	6,493	6,218	5,784	5,107	n/a	5,313	4,893	4,859
Net sales, change	**823**	**351**	**-798**	**275**	**434**	**677**	**n/a**	**361**	**420**	**34**
Minus: Structural changes	-	-	-	-	375	708	n/a	208	213	n/a
Minus: Changes in exchange rates	217	-125	-70	129	217	30	n/a	77	158	n/a
Organic growth	**606**	**476**	**-728**	**146**	**-158**	**-61**	**n/a**	**76**	**49**	**n/a**
Structural changes, %	-	-	-	-	6.5	13.9	n/a	3.9	4.4	n/a
Organic growth, %	10.0	8.4	-11.2	2.3	-2.8	-1.2	n/a	1.4	1.0	-1.0

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 and impact

Cloetta's overall sustainability mission is to contribute to A Sweeter Future by taking responsibility for our impacts, both positive and negative, on people, society and the environment. We combine this responsibility with a focus on creating value for our stakeholders which is fundamental to Cloetta's continued success and growth.

Materiality analysis

Cloetta reports the results of its sustainability work in accordance with the Global Reporting Initiative (GRI). One fundamental principle is to base our work on the most material issues. Material issues are topics that reflect Cloetta's significant economic, environmental and social impacts. The materiality of a topic for Cloetta and thereby the decision to include it in our goals is determined by the degree of impact caused by our activities throughout the value chain and how much the issue impacts our business strategy. 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 (see page 54–57).

We maintain an up-to-date understanding of our material topics through engagement and dialogue with key stakeholders, as well as by monitoring our business and

Materiality & Governance

This year's materiality analysis is double in the sense that it weighs two components; the impact on the business and the impact of the business. This shifted some material topics between the quadrants given that the future impacts on our business may be higher or lower compared to stakeholder importance. No new topics were included or excluded this year although some topics were renamed to align with how they are communicated internally, eg., Happy and healthy employees, Competence development and retaining employees, and Traceability of resources (country of origin).

Materiality analysis

Impact on Cloetta's business: Very important

Proactively defend
- Food safety
- Happy and healthy employees
- Consumer health
- Occupational health and safety
- Traceability of resources (country of origin)

Value creators
- Climate action –total emissions impact from value chain
- Transport and logistics
- Less and Better Packaging
- Consumer and product transparency

Impact on Cloetta's business: Important

Manage & Maintain
- Equality and diversity in the workplace
- Ethics and anti-corruption
- Responsible marketing
- Waste management
- Competence development and retaining employees
- Community involvement

Potential Differentiators
- Living conditions in the supply chain
- Human and labour rights in supply chain
- Biodiversity impact from key raw materials
- Energy use
- Food waste

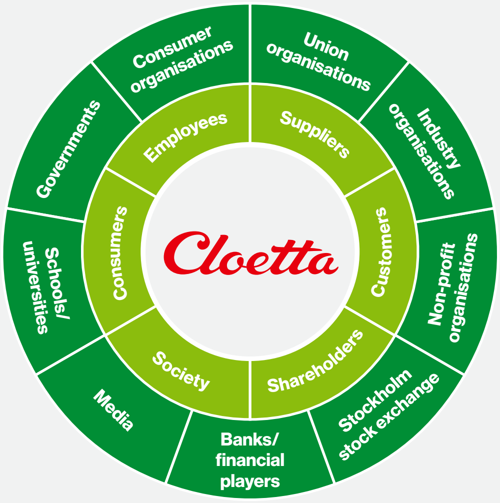
High — Very high

Cloetta's ability to impact the economy, society, environment

industry peers and the relevant global trends and drivers that shape our business. These topics are scored in terms of impact on the environment, society and the economy, as well as the potential to impact our business (both positively and negatively). The topics scoring both high in impact on our business and impact on the environment, economy and society are deemed as Value Creators (see page 138) and therefore high priority. These are reflected in our sustainability initiatives or existing programmes that require monthly tracking.

Our material topics are annually reviewed and validated by our internal experts representing all major departments and the Group Management Team. A thorough assessment of the topics, and a more involved stakeholder dialogue takes place every three years, in parallel with

Stakeholders



Stakeholders' key sustainability issues

Stakeholder	Key issues – sustainability	Communication and cooperation
Customers and consumers	• Food safety and consumer health • Climate action • Human & labour rights in the supply chain • Less and Better Packaging • Transport & logistics	• With consumers via annual surveys, 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	• Competence development • Health and safety, employee well-being • Equality & diversity in the workplace • Ethics and anti-corruption • Climate action • Long-term sustainable value growth	• Daily meetings to discuss occupational health and safety in the factories • Annual performance reviews with all employees • Systematic skills development • Up-to-date information provided monthly, e.g. via managers, union representatives and Cloetta's intranet • Employee survey "Cloetta Engagement survey" every other year
Shareholders and investors	• Long-term sustainable value growth • Transparency & risk management • Ethics and anti-corruption • Climate action • Human & labour rights in the supply chain	• Analyst and investor meetings • Interim reports • Annual general meeting • Annual and Sustainability Report • Cloetta's website
Suppliers	• Food safety • Climate action • Human & labour rights in the supply chain • Biodiversity impact from key raw materials • Ethics and anti-corruption • Less and Better Packaging • Transport & logistics	• Annual evaluation of suppliers' performance • Audits • Development projects • Collaborative projects for sustainability
Communities and the public	• Transparency • Community involvement • Climate action • 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 Rainforest Alliance • 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

adjusting the long-term sustainability strategy. In our annual process, we anticipate including the Board.

The Sustainability manager oversees dialogue on sustainability related issues with a wide range of internal and external groups. Feedback from this dialogue is reported to Group Management Team and influences our decision making to strengthen our strategy and response.

Two Code of Conducts

Cloetta's business activities and sustainability work are based on the Cloetta Code of Conduct. The Code of Conduct contains guidelines based on the UN's Global Compact with commitments regarding human rights, business ethics and anti-corruption, the company's assets, data security and environmental responsibility.

We are a Signatory of the UN Global Compact, we support the OECD Guidelines for Multinational Enterprises, and we apply the UN Guiding Principles on Business & Human Rights in our work to identify and remediate any negative impact on people that is a direct or indirect result of our operations. These principles are the foundation for the Supplier Code of Conduct developed in 2020 and implemented since 2021. It specifies our requirements as well as our ambitions when it comes to upholding human and labor rights, conducting ethical business and improving suppliers' performance in health and safety and environmental management. Cloetta's suppliers are approved and monitored against criteria for product safety, quality, health and safety, and sustainability.

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 primarily due to Cloetta's extensive supply chain and rapid societal changes in Cloetta's markets.

Strategic components

Policy and prioritised areas	• Overall strategy • Cloetta Code of Conduct • Supplier Code of Conduct • Sustainability agenda • Responsible marketing
Goals and KPIs	• Overall financial targets • Goals and KPIs for each part of Cloetta's sustainability agenda
Data	• See entire Annual and Sustainability Report
Management systems, programmes and certifications	• Perfect Factory for efficient manufacturing • IFRS for financial reporting • Cloetta's leadership platform • BRC for food safety • ISO 14001 for the environment • Rainforest Alliance/ UTZ for cocoa • RSPO for palm oil
External statutes or initiatives	• UN Global Compact • Relevant ILO conventions • EWC (European Works Council)

Organisation

The Board of Directors and President and CEO are ultimately responsible for Cloetta's sustainability-related efforts and results. They are ultimately responsible for the compliance with laws and regulations, of which there are no signicant instances of non-compliance. Cloetta's Group Management Team has been deeply involved in developing the sustainability agenda and for each of the different sustainability initiatives there is one executive sponsor from Cloetta's Group Management Team.

The CMO is also the director for Innovation and Sustainability, who together with the Global Marketing Director for Candy and Sustainability and the Sustainability manager report on progress at monthly Group Management Team meetings, where sustainability is a standing item on the agenda. In addition, the company's different business function leaders are responsible for the implementation of the sustainability agenda within their part of the organisation. Environmental and occupational health and safety managers are in place at all Cloetta's factories, and report to the group Director of Health & Safety, Environment (HSE).

With support of the Sustainability manager, the Group Management Team is responsible for evaluating the effectiveness and relevance of the management approach to sustainability.

Sustainability updates are provided to the Board, sustainability trainings and regular progess meetings are provided for the Group Management team and the whole company.

Whistleblower service

Cloetta's whistleblower service provides the opportunity to report suspected deviations from our Code of Conduct anonymously. During 2022 we updated the system and communicated about the whistleblower service and how to use it.

All reports are treated confidentially. Personal data concerning breaches of law are handled only by key persons or individuals in management positions. In 2022, we had seven cases, which were not deemed to be whistleblowing matters and were investigated and responded to locally.

Sustainability Policies & Procedures

- Monthly progress tracking at Management Team meeting
- Use of third-party certification schemes
- Cloetta's Code of Conduct
- Cloetta's Supplier Code of Conduct
- Quarterly updates at Board meetings
- Discovery platforms for innovation
- BRC (British Retail Consortium Global Standard for Food Safety)
- GMP (Good Manufacturing Practices)
- Internal control policy & management systems
- Health and Safety policy
- Environmental policy
- Approval and Monitoring of Suppliers
- Anti-bribery and Anti-corruption policy
- Whistleblower policy
- Palm oil policy

Our policies commit Cloetta to conduct our business responsibly in many ways, such as conducting due diligence, applying the precautionary principle, respecting human rights, and including at-risk or vulnerable groups in our organisation and/or supply chain. We communicate our policies externally on Cloetta.com, as well as directly with associated stakeholders, for example, suppliers are requested to sign our Supplier Code of Conduct. In addition to the company-wide online training for the Group Code of Conduct, we also share a sustainability newsletter, sustainability-related trainings, and news shared on our intranet.

Cloetta's sustainability report

Cloetta's sustainability report is issued by the Board of Directors, and is prepared in accordance with the GRI Standards. The sustainability report covers the entire business operations of the company, unless otherwise stated. The approach for consolidating information is the same for all disclosures and across all material topics. The content has been established based on Cloetta's materiality analysis, described on pages 138–139.

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 150. The latest sustainability report was issued on 14 March 2022. Questions about Cloetta's sustainability report can be directed to: sustainability@cloetta.com.

Gathering data

Environmental data is gathered through direct measurements as well as through specifications from suppliers that provide heat and electricity and handle waste management data. 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. We use a location-based method for calculations of CO_2 emissions. Conversion factors used are provided by our software tool supplier for sustainability data. These are based on LCA analyses calculated using a cradle-to-gate approach and/or third party international databases. In accordance with the GHG protocol, we use an operational control consolidation approach for own emissions (scopes 1 and 2).

Scope 3 emissions account for the majority of our total carbon footprint, which is why we will aim to obtain better data from our supply chain instead of working with generic open-source estimations. Previously we had excluded a small percentage of our raw materials due to the fact that they did not have emission factors. In 2022 we included all raw materials and used an average emission factor for those lacking one.

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. To measure work related injuries with absenteeism we use our own indicator, LTIR. This indicator is defined as number of injuries causing at least 24 hours of absenteeism per million hours worked per year. Information is aggregated at a Group level.

EU Taxonomy Reporting

Background

Regulation (EU) 2020/852 (the Taxonomy Regulation) is designed to support the transformation of the EU economy to meet its European Green Deal objectives, including the 2050 climate-neutrality target. The Taxonomy Regulation establishes six environmental objectives and for the financial reporting year 2022 the focus is on the first two environmental objectives, Climate change mitigation and Climate change adaptation. In the following section, we as a non-financial parent company present the share of our group turnover, capital expenditure (Capex) and operating expenditure (Opex) for the reporting period 2022, which are associated with Taxonomy-eligible and aligned economic activities related to climate change mitigation and climate change adaptation.

Our economic activities as a confectionary company – Taxonomy-non-eligible.

We have examined all Taxonomy-eligible economic activities listed in the Commission Delegated Regulation (EU) 2021/2139 (the Climate Delegated Act) under the Taxonomy Regulation, based on our activities as a confectionery company. The Climate Delegated Act focuses on those economic activities and sectors that have the greatest potential to achieve the objective of climate change mitigation, i.e., the need to avoid producing greenhouse gas emissions, to reduce such emissions or to increase greenhouse gas removals and long-term carbon storage.

As a confectionery company, we define the manufacturing of cocoa, chocolate, and sugar confectionery as the core of our business activities. We concluded that our core economic activities are not covered by the Climate Delegated Act and consequently are Taxonomy-noneligible.

Our KPIs

The KPIs include turnover, Capex and Opex. For the reporting period 2022, the KPIs must be disclosed in relation to Taxonomy-aligned economic activities and consequently Taxonomy-eligible activities related to climate change. Capex and Opex include those that are related to the purchase of output from Taxonomy-aligned economic activities and certain individual measures enabling the target activities to become low-carbon, or to lead to greenhouse gas (GHG) emission reductions.

Analysis of Taxonomy eligibility and alignment

A Taxonomy-eligible economic activity is an activity that is described in the delegated acts adopted under the EU Taxonomy regulation irrespective of whether that activity meets any or all the technical screening criteria laid down in those delegated acts. Regarding Capex and Opex related to purchases and measures that we consider as individually Taxonomy-eligible, we refer to the explanations below in the section "Capex KPI and Opex KPI" in the description of our accounting policies. Since our economic activities as a confectionery company are not covered by the Climate Delegated Act, the share of Taxonomy-eligible or aligned economic activities in our total turnover is 0 per cent and, consequently, the related Capex and Opex are also 0 per cent. However, we disclose Capex and Opex relating to the purchase of output from Taxonomy-eligible economic activities and individual measures to improve energy efficiency listed in the Climate Delegated Act. We have not been able to verify alignment with our suppliers.

To be Taxonomy-aligned, an eligible activity must comply with the technical screening criteria, i.e., whether a substantial contribution is being made to climate protection, contribute to at least one of six listed environmental objectives, and do no significant harm (DNSH criteria) to any of the other objectives, while respecting basic human rights and labor standards, bribery/corruption, taxation and fair competition.

Taxonomy reporting table 2022 – Turnover

Economic activities (1)	Codes (2)	Absolute turnover (3) MSEK	Proportion of turnover (4) %	Substantial contribution criteria: Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria: Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover year 2022 (18) *Per cent*	Taxonomy-aligned proportion of turnover year N-1 (19) *Per cent*	Category (enabling activity or (20)	Category (tran-sitional activity) (21)
A. Taxonomy-eligible activities																				
A1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	0%	0%					-	-	-	-	-	-	-	0%	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		-	0%																	
Total (A.1 + A.2)		-	0%														0%			
B. Taxonomy-non-eligible activities (B)																				
Turnover of Taxonomy-non-eligible activities (B)		6,869	100%																	
Total (A+B)		6,869	100%																	

Taxonomy reporting table 2022 – Capex

				Substantial contribution criteria						DNSH criteria										
Economic activities (1)	Codes (2)	Absolute Capex (3) MSEK	Proportion of Capex (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of Capex year 2022 (18) %	Taxonomy-aligned proportion of Capex year N-1 (19) %	Category (enabling activity or (20)	Category (transitional activity) (21)
A. Taxonomy-eligible activities																				
A1. Environmentally sustainable activities (Taxonomy-aligned)																				
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	0%	0%					-	-	-	-	-	-	-	0%	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	23	7.9%																	
Renovation of existing buildings	7.2	1	0.5%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	23	7.7%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	1	0.2%																	
Acquisition and ownership of buildings	7.7	41	13,9%																	
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		89	30,2%																	
Total (A.1 + A.2)		89	30,2%														0%			
B. Taxonomy-non-eligible activities (B)																				
Capex of Taxonomy-non-eligible activities (B)		207	69,8%																	
Total (A+B)		296	100%																	

Taxonomy reporting table 2022 – Opex

Economic activities (1)	Codes (2)	Absolute Opex (3) MSEK	Proportion of Opex (4) %	Substantial contribution criteria: Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	DNSH criteria: Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of Opex year 2022 (18) %	Taxonomy-aligned proportion of Opex year N-1 (19) %	Category (enabling activity or (20)	Category (transitional activity) (21)
A. Taxonomy-eligible activities																				
A1. Environmentally sustainable activities (Taxonomy-aligned)																				
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		-	0%	0%	0%					-	-	-	-	-	-	-	0%	-	-	-
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Renovation of existing buildings	7.2	5	2,1%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	12	5,5%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	1	0,3%																	
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		18	7,9%																	
Total (A.1 + A.2)		18	7,9%														0%			
B. Taxonomy-non-eligible activities (b)																				
Opex of Taxonomy-non-eligible activities (B)		208	92,1%																	
Total (A+B)		226	100%																	

Accounting principles

We determine the Taxonomy-eligible or aligned KPIs in accordance with the legal requirements and describe our accounting policy in this regard as follows:

Turnover KPI

The proportion of turnover shall be calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy- eligible or aligned economic activities (numerator), divided by the net turnover (denominator). The turnover shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008 (1). The accounting policy regarding Net sales which corresponds to net turnover is disclosed on page 85. Details of the net sales is provided in Note 3 on page 91.

Capex KPI

The Capex KPI is defined as Taxonomy-eligible or aligned Capex (numerator) divided by our total Capex (denominator). Total Capex consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes additions to fixed assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included. Goodwill is not included in Capex, because it is not defined as an intangible asset in accordance with IAS 38. Total capex can be reconciled against the year's additions in Note 12 Intangible assets on page 95, Note 13 Property, plant and equipment on page 97 and Key ratios on page 134 where Capex is disclosed separately. The amount in here consists of the two additions of Note 12 and 13.

Opex KPI

The KPI is defined as Taxonomy- eligible or aligned Opex (numerator) divided by our total Opex (denominator). The denominator of the KPI shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property plant and equipment (PP&E). In general, this includes staff costs, costs for services, and material costs for daily servicing as well as for regular and unplanned maintenance and repair measures. This does not include expenditures relating to the day-to-day operation of PP&E such as: raw materials, cost of employees operating the machinery, and electricity or fluids that are necessary to operate PP&E. The related cost items can be found in various line items in our income statement.

Explanations on the numerator of the Capex KPI and the Opex KPI

Since Cloetta AB has no eligible or aligned turnover generating economic activities, we do not record Capex and Opex related to assets or processes that are associated with Taxonomy-aligned economic activities in the numerator of the Capex KPI and the Opex KPI. Furthermore, there are no Capex plans to upgrade a Taxonomy-eligible economic activity to become Taxonomy-aligned ("category a and b").

Only "category c" Capex and Opex can therefore qualify as Taxonomy-eligible and consequently aligned, i.e., related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to GHG reduction. These individual measures correspond to economic activities listed in the Climate Delegated act supplementing the Taxonomy Regulation and must be implemented and operational within 18 months. The following activities were identified as taxonomy-eligible:

Corresponding economic activity (Annex I to Climate Delegated Act)
6.5 Transport by motorbikes, passenger cars and light commercial vehicles
7.2 Renovation of existing buildings
7.3 Installation, maintenance and repair of energy efficiency equipment
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
7.7 Acquisition and ownership of buildings

These activities include investments in our factories to become more energy efficient, renovations and maintenance, car leasing and extended and new leasing agreements for buildings. For the allocation of Capex and Opex we have identified the relevant purchases and measures, and we have identified the primary related economic activity in the Climate Delegated Act. In this way, we ensure that no Capex or Opex is considered more than once.

GRI Content Index

Statement of use Cloetta has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022
GRI 1 used GRI 1: Foundation 2021
Applicable GRI Sector Standard(s) Not currently available

GRI Standard/ Other source	Disclosure		Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1	Organisational details	2-3, 60, 123			
	2-2	Entities included in the organisation's sustainability reporting	83-84, 123, 141			
	2-3	Reporting period, frequency and contact point	83, 141 Calendar year			
	2-4	Restatements of information	116, 141			
	2-5	External assurance	68-70, 141			
	2-6	Activities, value chain and other business relationships	34, 36-40, 140, 155			
	2-7	Employees	27, 93	b iv-v	Information unavailable	Full-time and part-time employees are excluded
	2-8	Workers who are not employees	27			
	2-9	Governance structure and composition	60-65, 72-75, 93			
	2-10	Nomination and selection of the highest governance body	61-62			
	2-11	Chair of the highest governance body	62-63, 65			
	2-12	Role of the highest governance body in overseeing the management of impacts	54, 59, 62-65, 139- 140			
	2-13	Delegation of responsibility for managing impacts	54, 64-65, 140			
	2-14	Role of the highest governance body in sustainability reporting	64, 140			
	2-15	Conflicts of interest	63, 72-73			
	2-16	Communication of critical concerns	140			
	2-17	Collective knowledge of the highest governance body	140			
	2-18	Evaluation of the performance of the highest governance body	63-64			
	2-19	Remuneration policies	62-64, 66-67			
	2-20	Process to determine remuneration	62-64, 66-67			
	2-21	Annual total compensation ratio	66-67, 92-93	a-c	Information unavailable	Under development for the next reporting year
	2-22	Statement on sustainable development strategy	6-7, 59			
	2-23	Policy commitments	31, 59, 63, 139-141			
	2-24	Embedding policy commitments	63-64, 140			
	2-25	Processes to remediate negative impacts	66-67, 140	e	Information unavailable	The effectiveness is not surveyed among stakeholders
	2-26	Mechanisms for seeking advice and raising concerns	68-69, 140			
	2-27	Compliance with laws and regulations	141			
	2-28	Membership associations	22, 32, 140			
	2-29	Approach to stakeholder engagement	139			
	2-30	Collective bargaining agreements	27			

GRI Standard/ Other source	Disclosure		Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1	Process to determine material topics	138-140			
	3-2	List of material topics	138			
Economic performance						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 56-57, 138-140			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	35			
Anti-corruption						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 68-69, 56-57, 138-140			
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	140			
Energy						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 28, 56-57, 138-140			
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	9, 29			
	302-3	Energy intensity	29			
	302-4	Reduction of energy consumption	9, 29			
Biodiversity						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 31, 56-57, 138-140			
GRI 304: Biodiversity 2016	304-2	Significant impacts of activities, products and services on biodiversity	31	a ii-vi, b i-iv	Information unavailable	Description of areas restored or protected, but omitting the specifics of size, species, etc.
Emissions						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 29-30, 56-57, 138-140			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	9, 29			
	305-2	Energy indirect (Scope 2) GHG emissions	9, 29			
	305-3	Other indirect (Scope 3) GHG emissions	9, 29			
	305-5	Reduction of GHG emissions	9, 29			
Waste						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 31, 56-57, 138-140			
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	31			
	306-2	Management of significant waste-related impacts	31			
	306-3	Waste generated	31			

GRI Standard/ Other source	Disclosure		Location	Omission: Requirement(s) Omitted	Omission: Reason	Omission: Explanation
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 31, 56-57, 138-140			
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	31			
Occupational health and safety						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 26-27, 56-57, 138-140			
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	26-27, 32			
	403-2	Hazard identification, risk assessment, and incident investigation	27			
	403-3	Occupational health services	27			
	403-4	Worker participation, consultation, and communication on occupational health and safety	27			
	403-5	Worker training on occupational health and safety	27			
	403-6	Promotion of worker health	27			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	27			
Own Indicator (LTIR)		Occupational injuries, lost days and absenteeism	9, 27			
Child labor						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 31, 56-57, 138-140			
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	31			
Supplier social assessment						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 31, 56-57, 138-140			
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	31			
Customer health and safety						
GRI 3: Material Topics 2021	3-3	3-3 Management of material topics	22-23, 24, 56-57, 138-140			
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	16, 24, 32			
Marketing and labeling						
GRI 3: Material Topics 2021	3-3	Management of material topics	22-23, 27, 56-57, 138-140			
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	16-17, 27, 32			

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 2022. The company has defined the scope of its sustainability report on page 1 in the annual and sustainability report. The statutory sustainability report is defined on page 53.

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 147–149 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 (revised) 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 ISQM 1 (International Standard on Quality Management) 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 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, 9 March 2023

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant

Karin Juslin
Sustainability Specialist

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 programme. 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 programme 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.

Definitions

All amounts in the tables are presented in SEK millions unless otherwise stated. All amounts in brackets () represent comparative figures for the same period of the prior year, unless otherwise stated.

	Definition/calculation	Purpose
Margins		
Gross margin	Net sales less cost of goods sold as a percentage of net sales.	Gross margin measures production profitability.
Operating profit margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	Operating profit margin is used for measuring the operational profitability.
Operating profit margin, adjusted	Operating profit, adjusted for items affecting comparability, as a percentage of net sales.	Operating profit margin, adjusted excludes the impact of items affecting comparability, enabling a comparison of operational profitability.
Profit margin	Profit/loss before tax expressed as a percentage of net sales.	This metric enables the profitability to be compared across locations where corporate taxes differ.
Return		
Free cash flow	Sum of the cash flow from operating activities and cash flow from investments in property, plant and equipment and intangible assets.	The free cash flow is the cash flow available to all investors consisting of shareholders and lenders.
Free cash flow yield	Free cash flow over the last 12 months divided by the number of shares at the end of the period and subsequently divided by the market price per share at the end of the period.	This metric is an indicator of the return on investment of investors in the company.
Return on capital employed	Operating profit plus financial income as a percentage of average capital employed. The average capital employed is calculated by taking the capital employed per period end and the capital employed by period end of the comparative period in the previous year divided by two.	Return on capital employed is used to analyse profitability, based on the amount of capital used. The leverage of the company is the reason that this metric is used next to return on equity, because it includes equity, but takes into account borrowings and other liabilities as well.
Return on equity	Profit from continuing operations for the period as a percentage of total equity.	Return on equity is used to measure profit generation, given the resources attributable to the owners of the Parent Company.
Capital structure		
Capital employed	Total assets less interest-free liabilities (including deferred tax).	Capital employed measures the amount of capital used and serves as input for the return on capital employed.
Equity/assets ratio	Equity at the end of the period as a percentage of total assets. The equity/assets ratio represents the amount of assets on which shareholders have a residual claim.	This ratio is an indicator of the company's leverage used to finance the company.
Gross debt	Gross current and non-current borrowings, credit overdraft facilities, lease liabilities, derivative financial instruments and interest payable.	Gross debt represents the total debt obligation of the company irrespective of its maturity.
Net debt	Gross debt less cash and cash equivalents.	The net debt is used as an indication of the ability to pay off all debts if these became due simultaneously on the day of calculation, using only available cash and cash equivalents.
Net debt/EBITDA	Net debt at the end of the period divided by the adjusted EBITDA for the last 12 months, taking into consideration the annualisation of EBITDA for acquired or divested companies.	The net debt/EBITDA ratio approximates the company's ability to decrease its debt. It represents the number of years it would take to pay back debt if net debt and EBITDA were held constant, ignoring the impact from cash flows from interest, tax and capital expenditure.
Net debt/ equity ratio	Net debt at the end of the period divided by equity at the end of the period.	The net debt/equity ratio measures the extent to which the company is funded by debt. Because cash and overdraft facilities can be used to pay off debt at short notice, the leverage takes into account net debt instead of gross debt.
Working capital	Total inventories and trade and other receivables adjusted for trade and other payables.	Working capital is used to measure the company's ability, besides cash and cash equivalents, to meet current operational obligations.

	Definition/calculation	Purpose
Data per share		
Cash flow from operating activities per share	Cash flow from operating activities in the period divided by the average number of shares.	The cash flow from operating activities per share measures the amount of cash the company generates per share from the revenues it brings irrespective of the capital investments and cash flows related to the financing structure of the company.
Earnings per share	Profit for the period divided by the average number of shares adjusted for the effect of forward contracts to repurchase own shares.	The earnings per share measures the amount of net profit that is available for payment to shareholders per share.
Equity per share	Equity at the end of the period divided by number of shares at the end of the period.	Equity per share measures the net-asset value backing up each share of the company's equity and determines if a company is increasing shareholder value over time.
Other definitions		
EBITDA	Operating profit before depreciation and amortisation.	EBITDA is used to measure the cash flow generated from operating activities, eliminating the impact of financing and accounting decisions.
EBITDA, adjusted	Operating profit, adjusted for items affecting comparability, before depreciation and amortisation.	Adjusted EBITDA increases the comparability of EBITDA.
Effective tax rate	Income tax as a percentage of profit before tax.	This metric enables the income tax to be compared across locations where corporate taxes differ.
Items affecting comparability	Items affecting comparability are those significant items which are separately disclosed by virtue of their size or incidence, in order to enable a full understanding of the Group's financial performance. These include items such as restructurings, impact from acquisitions or divestments.	Items affecting comparability increases the comparability of the Group's financial performance.
Net financial items	The total of exchange differences on cash and cash equivalents in foreign currencies, other financial income and other financial expenses.	The net financial items reflects the company's total costs of external financing.
Net sales, change	Net sales as a percentage of net sales in the comparative period of the previous year.	Net sales, change reflects the company's realised top-line growth over time.
Operating profit (EBIT)	Operating profit consists of comprehensive income before net financial items and income tax.	This metric enables the profitability to be compared across locations where corporate taxes differ, irrespective of the financing structure of the company.
Operating profit (EBIT), adjusted	Operating profit, adjusted for items affecting comparability.	Adjusted EBIT increases the comparability of EBIT.
Organic growth	Net sales, change excluding acquisition-driven growth and changes in exchanges rates.	Organic growth excludes the impact of changes in group structure and exchange rates, enabling a comparison of net sales growth over time.
Structural changes	Net sales, change resulting from changes in group structure.	Structural changes measure the contribution of changes in group structure to the net sales growth.

Cloetta's history filled with legendary brands

The Cloetta brothers. In 1862 the three Swiss Cloetta brothers, Bernard, Christoffer and Nutin Cloetta, founded the company "Brødrene Cloëtta" for manufacturing chocolate and confectionery in Copenhagen, Denmark. The brothers later moved their manufacturing to Sweden and the company was owned by the Cloetta family until 1917, when the Svenfelt family took over the majority share-holding in Cloetta via the newly formed Svenska Chokladfabriks AB. The Svenfelt family has major ownership interests in Cloetta to this day.

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

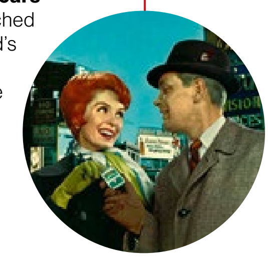
The roaring twenties
The confectionery industry grows after the war. The slogan "Choose right – choose Cloetta" is created in 1921. In the Netherlands, Lonka opens its first factory 1920 and the pastille brand King is launched in 1922. In 1928 Sisu is launched in Finland, Red Band in the Netherlands 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

1878 1909 1913 1920 1922 1928 1934 1937 1938 1941 1949 1951 1953 1960 1965 1976 1981 1984 1998 2007

1970-80s – fresh and healthy and a response to the growing pick & mix
In 1975, the world's first chewing gum with xylitol is launched by Jenkki in Finland. Sportlife is launched in the Netherlands in 1988. The Mynthon pastille is introduced in Finland in 1976. In Sweden, the mixed candy bag Gott & Blandat is launched in response to the growing popularity of pick & mix.

2000s – new groups formed
During the period from 2000 to 2009, Cloetta is part of the Cloetta Fazer group. After the de-merger in 2009, the independent Cloetta is relisted on NASDAQ OM Stockholm. In 2000 CSM acquires Continental Sweets and thereby strengthens its position primarily in France and Belgium, but also in the Netherlands and the UK. In 2001 CSM acquires Socalbe in Italy (with Dietorelle and Dietor). In 2005 CVC and Nordic Capital acquire CSM's confectionery division and change its name to Leaf.

2020s – strong sustainability focus
Cloetta launches a new sustainability agenda covering topics all across the value chain where Cloetta has the ability to make an impact. This includes giving the consumers greater choice by introducing more vegan options, less sugar/no-sugar, lactose-free and new package sizes, as well as enriching the social impacts in our supply chain through our partnerships, and committing to the Science Based Targets initiative.

1970–1980

1990s

2000s

2010s

2020s

1990s – consolidation of the industry
CSM, a Dutch sugar and food products company, acquires Red Band in 1986. Leaf acquires Ahlgrens (with Läkerol and Ahlgrens bilar) in 1993, CSM acquires Malaco in 1997, Cloetta acquires Candelia (with Polly and Bridgeblandning) in 1998 and CSM acquires Leaf in 1999. Cloetta's share is listed on the Stockholm Stock Exchange in 1994.

2010s – Cloetta grows
Cloetta and Leaf are merged in 2012. In 2014 Cloetta acquires Nutisal, a leading Swedish company that roasts and sells dry roasted nuts. In the same year Cloetta acquires The Jelly Bean Factory with the main market in the UK. In 2015 Cloetta acquires Lonka, a Dutch company that produces and sells fudge, soft nougat and chocolate. In 2017, Cloetta acquires Candyking and becomes market leader in pick & mix. The Italian operations are divested.

Shareholder information

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Annual General Meeting

The Annual General Meeting of Cloetta AB (publ) will be held on Tuesday 4 April 2023. The Notice of the Annual General Meeting was published in February and is available on www.cloetta.com.

To order the Annual and Sustainability Report

The Annual and Sustainability Report is available in Swedish and English. The printed Annual and Sustainability Report can be ordered via the website. It can also be downloaded from www.cloetta.com.

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