

# Targets

## Long-term financial targets

### Organic sales growth

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

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

### Net sales

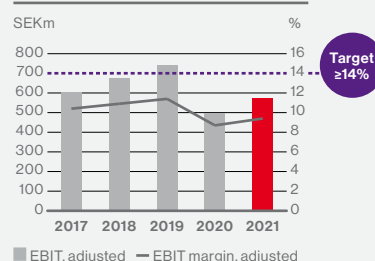


### EBIT margin

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

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

### EBIT and margin, adjusted

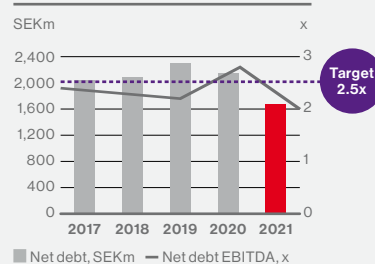


### Net debt

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

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

### Net debt/EBITDA

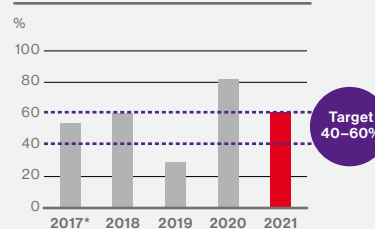


### Dividend policy

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

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

### Dividend policy (share of profit)



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

# Key sustainability targets

## For You

**Targets:**

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

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



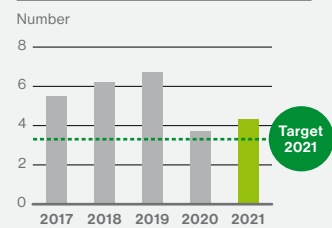
## For People

**Targets:**

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

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

### Lost time incident rate (LTIR)



## For the Planet

**Targets:**

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

**Comment on the year's outcome:** Set science-based targets and started Cloetta Climate Action Programme. CO<sub>2</sub>e reduced with 8.7 per cent compared to 2019 baseline. Packaging more than 90 per cent recyclable depending on volumes. PlantPack accounting for approximately 5 per cent more of packaging compared to 2020.

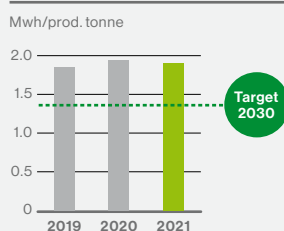
## For the Planet – Climate impact

### Energy consumption

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

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

### Energy consumption\*

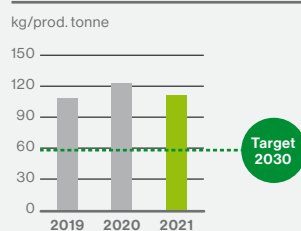


### Waste

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

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

### Waste\*

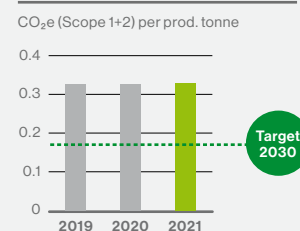


### Carbon dioxide emissions

CO<sub>2</sub>e emissions from production to be reduced by 46 per cent per produced tonne by 2030, compared to 2019 base year.

**Comment 2021:** CO<sub>2</sub>e emissions on same levels as 2020. Cloetta Climate Action Program contains long-term projects to reduce CO<sub>2</sub>e by moving into renewable sources.

### Carbon dioxide emissions\*



\*) The calculation for energy consumption, waste and CO<sub>2</sub> emissions have been updated compared to previous years and reported according to GHG protocol and GRI (baseline 2019). The numbers for 2019 and 2020 have also been recalculated.

# Strategic priorities

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

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

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

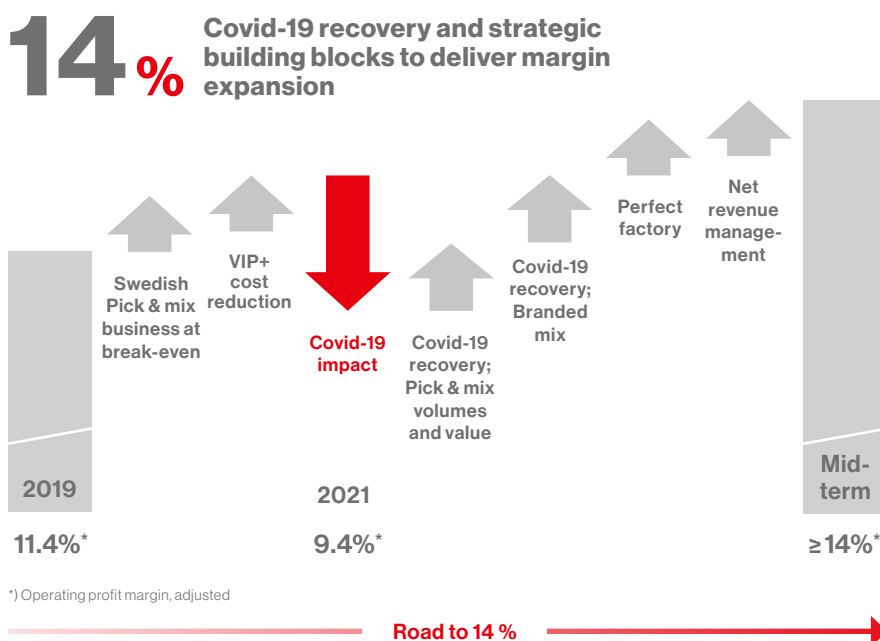
as to deliver fast growing international sales through the expansion of selective brands. We will continuously develop new innovative offerings and strengthen the e-commerce focus.

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

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

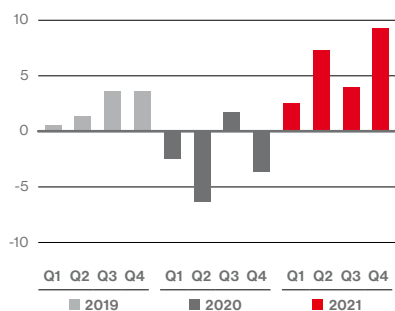
### Cloetta's strengths

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



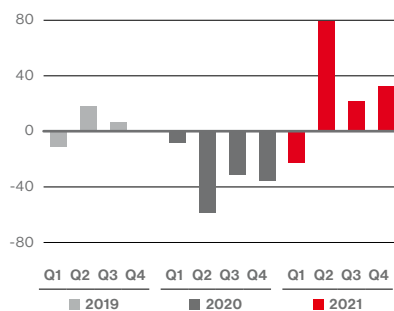
### Organic sales growth in Branded packaged products

Change from previous year, %



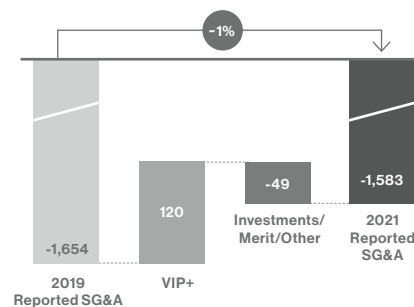
### Organic sales growth in Pick & mix

Change from previous year, %



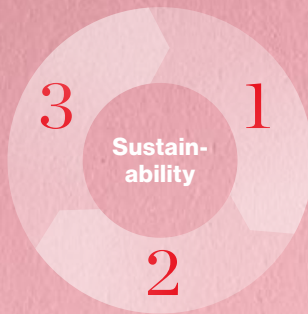
### VIP+ 2019–2021

Net 1% operating profit margin delivered.



## Strategic priorities

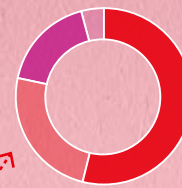
Lower costs and greater efficiency



Sustainable value within the Pick & mix business

Growth leadership in Branded packaged products

## Four business models within Pick & mix



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

**Hybrid**  
The customers handle in-store merchandising themselves

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

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

# 1 Growth leadership in Branded packaged products

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

### Achievements 2021

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

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

# 2 Sustainable value within the Pick & mix business

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

### Achievements 2021

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

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

# 3 Lower costs and greater efficiency

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

### Achievements 2021

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

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

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

# The market

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



## The confectionery market

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

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

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

## Consumption patterns

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

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

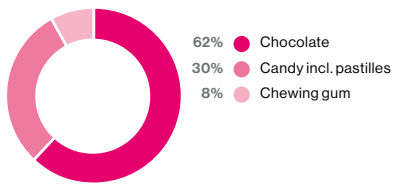
## Competitive market

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

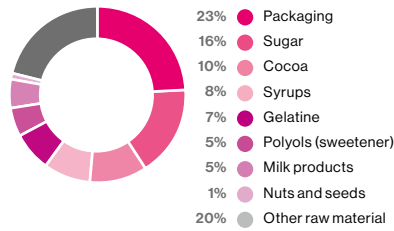
## Pick & mix

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

## The confectionery market

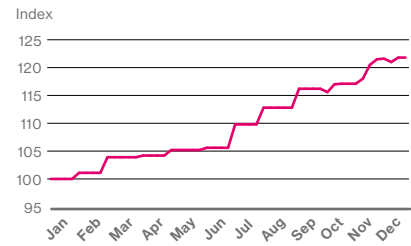


## Breakdown of raw materials and packaging costs, %



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

## Index of key commodities used by Cloetta



Source: Mintec, EUWID, Kingsman

Raw material prices increased significantly in 2021.

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

### The nut market

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

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

### Raw material and packaging

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

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

## Cloetta's sales channels

### Grocery retail trade

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

#### Development

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

### Service trade

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

#### Development

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

### E-commerce

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

#### Development

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

### Other channels

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

#### Development

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