

## Words from the President

# A year of strong sales and improved profitability

### How would you summarise the year 2023?

First of all, it was a year of strong profitable growth. It was also another rather extraordinary year, this time heavily marked by inflation, where we managed to raise our prices to adjust for higher input, raw material, and transportation costs. This was done in a fair and transparent way, and in absolute terms, leading to high customer loyalty and trust. At the same time, we continued to execute on projects that support our long-term strategy and growth. The greenfield project progressed according to the revised plan in all workstreams, and the technical ability to operate Europe's first major candy factory running fully on renewable electricity has been confirmed. The project is part of our ambitious sustainability agenda, where we during the year made good progress in collaboration with value chain partners for our scope 3 emissions, and structured our initiatives to accelerate the reduction of our scope 1 and 2 emissions.

Cloetta is now in many aspects a leading FMCG company in the Nordics, as we have improved our ways of working in all areas from finance to marketing and sales, as well as through the whole supply chain.

All in all, 2023 was a very successful year, and the first time in history when Cloetta reached SEK 8bn in turnover and close to SEK 800m in adjusted operating profit through organic growth efforts.

### What was the most important achievement during the year?

There are many things to be proud of I believe. First and foremost, I would say that we managed to keep the volumes relatively stable – a result of our strategic agenda to strengthen our brands over the last years and our relentless focus on execution. A big compliment to the teams in all parts of the organisation, who have done a tremendous job to provide the value needed to keep consumers enjoying our products, despite the increased pricing. The added marketing

efforts to premiumise our brands, making them more clear, innovative, and more supported, are really giving results. It is worth reiterating that stronger brands always lead to higher value.

I also see a lot of evidence that we have the right culture and people onboard to develop our business, and I see so many efforts to further develop and contribute.

**“2023 was the first time Cloetta reached SEK 8bn in turnover and close to SEK 800m in adjusted operating profit.”**

### How is the greenfield project progressing?

The greenfield will create capacity for growth and significantly reduce cost, while reducing our greenhouse gas emissions. Since we announced the investment in 2022, the process develops with the estimate to be fully operational during the second half of 2026. One important decision during the year was when our engineering team concluded, in close cooperation with our suppliers, that we have the technical ability to build and operate the new factory fully electric. When the new factory is fully operational, it will be the first major candy factory running on renewable electricity in Europe.

We are on time with our revised timeline and are moving the process forward, while involving the project's stakeholders. I am delighted to see cross-functional teams coming up with innovative proposals to

create further savings before the facility is up and running. There is a great pride internally that we are building an emission-free factory, employing people in Roosendaal and that we at the same time can free up capacity for further product portfolio optimisation.

During 2024, the main tasks will be to finalise the permitting process as well as the engineering and contracting of buildings and machines. We will also close the factory in Roosendaal Borchwerf during the year with an in- and outsourcing solution in place.

### Which important steps did you take within your sustainability agenda?

We have identified where the emission savings will come from as per 2030, and together with our suppliers, identified all our savings within the SBT-initiative. As I have said before, it is necessary to make progress and work closely with our customers, suppliers, and other parties in order to reach our targets. We truly believe that our sustainability efforts are strategic. It is in all perspectives good for the company, our culture, our business, and our stakeholders today - and definitely also in the long run.

Furthermore, we are in the process of finalising our double materiality analysis, in accordance with the European Union Corporate Sustainability Reporting Directive (CSRD). The insights gained from this process will further strengthen Cloetta's strategies, policies and actions within our ambitious sustainability agenda.

### What are your greatest challenges?

Cloetta is in a good place, but a lot of things can still be improved to secure the road to reach our profitability targets. We have to constantly monitor how our operations are relevant and efficient, ensure growth in pastilles and chewing gum and grow our international markets business. Given the volume growth expectations, we are also continuously looking at taking out smaller or lower-margin products from our portfolio to create capacity to produce higher-margin products.

### And your greatest opportunities?

In short; becoming an even more consumer-focused company through continued positioning and strengthening of the brand and product portfolio in all markets. This happens within four areas;

1. Strengthening our brands in core markets
2. Continued volume growth of Pick & mix via premiumisation and penetration
3. Building a stronger position in the UK and Germany
4. Recover profitability in all our markets

### What is Cloetta's focus going forward?

We will continue to grow our branded business with a high level of innovation, growing Pick & mix in a profitable way, drive cost efficiencies and execute on our sustainability agenda.

We are committed to speed up the pace towards our goals. The last few years have been challenging due to many macroeconomic developments but have also given us the opportunity to demonstrate the resilience of our core categories and brands. We have proven our ability to deliver under tough circumstances, and we believe that a more balanced environment will give us the opportunity to increase our focus on long-term business development and work with our roadmap of reaching a 14 per cent operating profit margin.

In 2023, we reported all-time high net sales and adjusted operating profit and lowest-ever leverage, and I remain confident for the future, since we have a strong pipeline of strategic initiatives to further strengthen our business. I am indeed proud of our successful pricing execution, and that we continue to take progressive, responsible steps developing our business with high sustainability ambitions. We are looking forward to 2024 and believe in our continued ability to deliver the Power of true Joy to consumers, and customers, and thereby creating shareholder value.

On a personal level, I would like to thank everyone that I have had the opportunity to

work with during my seven years at Cloetta, as I am leaving the company after the summer. I have come to the conclusion that this is the right time to make a smooth transition with as little disruption as possible to the positive momentum that Cloetta has established. I now look forward to

welcoming the new CEO to lead a truly great company with great people!

Stockholm, March 2024.

Henri de Sauvage-Nolting  
*President and CEO*

