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COMPANY REPRESENTATIVES

Katarina Tell, CEO
Frans Rydén, CFO
Laura Lindholm, Director of IR and Communications

PRESENTATION

Laura Lindholm

Thank you for joining Cloetta's Q2 interim report presentation. I'm Laura Lindholm, the Director of Communications and Investor Relations. Our CEO, Katarina, and CFO, Frans, will first go through our Q2 and H1 results. After which, we will move to the Q&A, where you either have the possibility to dial in and ask questions live, or alternatively, post your question through the chat. The chat will open up for questions when the Q&A starts, and it has also been possible to pre-register questions. Over to you, Katarina.

Katarina Tell

Thank you, Laura. Before we move on to the result, as I am the new President and CEO, I would like to take the opportunity to introduce myself. I joined Cloetta in May, 2018, as a member of the Group Executive Management Team, and with the responsibility for Sweden, Cloetta's largest geographical market. As you know from our reporting, Sweden has certainly hold its share as Cloetta's sales during these years of strong growth. But while we do not report profit per market, you all do know that Cloetta five years ago was struggling with Pick & mix business in Sweden, which at the time had a negative profit of 6 million Swedish kronor. And you know reporting since then, and certainly with the result we have recently presented and are presenting today, that the Pick & mix business in Sweden no longer is loss making.

I have really enjoyed leading the Swedish turnaround, that is for sure, but also many other things that we have achieved, such as cakes being the number one selling food and beverage SKU in the Swedish retail the last two years running, ahead of all other domestic and international brands. I also would like to mention our leadership in expanding confectionery outside the regular retail landscape. And hopefully many of you in this call have been surprised of the amount of different places where you can find Cloetta these days.

Still, in the weeks since the change, I have met and listening to many team members from across the company, and new people from both inside and outside of Cloetta. When ready, I will also come back to you and share more about that. But I must say that as much as I have enjoyed leading the Swedish business, I am so excited to step further into this new role. And my ambition is to drive the profitable growth agenda at Cloetta, as I have also done before joining, such as Kraft Heinz.

In my role as managing director at Kraft Heinz, I was responsible for 28 markets in the north and east of Europe, and I lived abroad throughout this time. The key achievement during my years as a leader of Kraft Heinz were also the profitable growth my business unit delivered. And without sharing any numbers, I can say that I received the company annual leadership award for outstanding business result three times.

I can also share that I have been a member of the board at different companies and associations. The most relevant ones are the Swedish trade association for the fast moving consumer goods industry, DLF, where I was the vice chairman of the board for three years. The last two years, I have also been a member of the board at Svensk Plastindustri i Motala. And during this time, we opened Site Zero, the world's biggest and most advanced plastic sorting and recycling plant.

My academic background is a master’s degree in food and nutrition, which actually means I am a registered dietitian. But this is an addition to the maybe more expected studies in business administration. Finally, I'm a Swedish citizen. I'm Cloetta’s 16th CEO, and I'm the first female one. And today, I'm proud of being part of publishing Cloetta’s 15th interim report, where we will present a strong quarter with improved profitability.

Then over to the agenda today. I will start with describing our company in brief and go through our Q2 highlights. Then our CFO, Frans, will walk you through both Q2 and year-to-date financials. And after that, I will give you a strategic update, then we wrap up with Q&A. In case of any of our new shareholders have joined the call, I would really like to make a brief description of our company.

Cloetta is a leading confectionery company in Northern Europe, and we are proud how our loved brands and products bring fun and joy to different occasions. I have more than 2,600 colleagues at Cloetta, and we have sales to more than 60 countries. The most recent change in our operation is that in May 2024, we divested our dry roasted nuts brand, Nutisal, as part of our previously communicated plan. We divested the brand to continue streamlining the brand and product portfolio. This to reduce the complexity and to support the long-term goal of adjusted EBIT margin of at least 14%. Last year, our total nut category represented 2% of the total net sales, which the brand Nutisal represented approximately half of it. We will continue to sell nuts in our Pick & mix segment.

As previously mentioned, we had a strong quarter with improved profitability, and the key messages for the report are the food price inflation was reduced compared to Q2 last year. We continued to deliver stable underlying volumes. Our adjusted profit was positively impacted by the full effect of the pricing we did in quarter one and the improved Pick & mix margin.

We expect to continue to successfully manage potential increased input costs, also going forward. We divested the brand Nutisal to streamline our brands in our portfolio, and we are proud to share that net debt over EBITDA of 1.8 is the lowest ever in Q2. I know Frans is really eager to get back on those numbers, and he doesn't have to wait long, because now it's time for the financials. Frans, our CFO, will walk you through both Q2 and year-to-date financials.

Frans Rydén

Thank you, Katarina. For quarter two net sales, starting there. I'm really pleased to repeat what Katarina already mentioned, which is that we are delivering 1.8% organic net sales growth. That means now over three years of consecutive quarterly growth. And it's also our fourth consecutive quarter with net sales over 2 billion Swedish kronor. Now at 1.8%, that is in line with our long-term target, but it's obviously less growth than what we've seen the last couple of years as we are now facing comparisons to prior periods, which already include a lot of pricing to offset the higher input costs.

Now, I made that point already in Q1 about meeting these tougher comparators, but I would also want to add now that although the overall environment is more stable than last year, increasing input cost continues to be a challenge, especially due to cocoa. Cocoa does keep going up, and we're actively managing that through our strategy to price for higher cost.

I think the growth is actually best understood. When we look at the two segments separately, which are going to come on the next slide. But I first want to address something about the sale of the Nutisal brand, and that is how it's reflected in the numbers as I take you through this. The transaction date of this sale was early June, so the quarter includes two months of Nutisal sales prior to that. And to help you understand how our continued business is doing in the growth numbers, we have separated out the effect of this change. And as I talk about organic growth, that's going to be on this ongoing business. Now, in accordance with the relevant accounting standards, we're not going to restate for comparable numbers. And going forward, you will also continue to see that we report sales of nuts. And as Katarina mentioned, that is because we will continue to sell nuts as part of the Pick & mix segment.

But let's look at the segments one by one here. On the top row, the branded packaged sales, they grew organically 1.2%. And I have three points to make about this. First, and maybe most importantly, that growth is coming on stable underlying volumes, which is a really terrific thing. We do see a lot of companies having a hard time maintaining their volumes, you could say that they're losing their share of (unclear).

While we have, despite also taking a lot of pricing the last couple of years, we've continued to see consumers choose to buy our brands. We have fantastic brands that people love and trust, and we continue to invest in them. We are also holding on to our strategy of fair pricing, and I think the stable volumes are an effect of that. Not only the consumers enjoy them, we are, of course, also happy that we are stable volumes, but it also helps our retail partners and other customers. That's the first point.

The second point is that there is a mix effect in these numbers that have softened the sales growth somewhat, both with respect to refreshment, but also, and I don't normally talk about this, but actually because of the weather. Because we had a really great late spring here in the Nordics or, if you will, an early start for the summer. The first two months of quarter to, I would argue, was really terrific. Really nice warm weather, ice cream, I'm sure, sold really well, but it had a noticeable effect on our numbers with less candy sales and also in the mix with less chocolate sales. Now, on top of that, we have continued our portfolio rationalisation, and we did some extra clean up in some of the non-core markets, and that has softened the sales growth a little bit further.

But the third point is that all of this was more than offset by full-quarter effect of the catch-up pricing and net revenue management that we did in quarter one, and also new action in quarter two. And I'm going to come back to that when we look at the profitability. But first, let's look at the growth in the Pick & mix segment on the lower part of this slide.

3.4% growth after 12 quarters of double-digit top line growth. This is, of course, lower. There was a shift with some sales into Q1 because of the Easter. But also here, I think the key point is that this growth is despite the fact that we had a big customer in the UK that went into administration last year, so obviously we're not selling to them any longer. And also, if I exclude that, our volumes are stable here. Again, a terrific thing in this operating environment. Now, on that volume we have done fair pricing, and we have a favourable market mix, and we've done many things to try to improve on this, and that also comes through when we look at the profit. Let's move on to the profit.

If I start on the right-hand side, for total Cloetta year-to-date, we have grown our profit versus last year, despite the input cost hike since then, and the quality incidents that we talked about in quarter one. And you can see that the profit growth is coming from volume and mix, which is a really important thing. Likewise, if you look at quarter two, we are also stepping up profits to 222 million, which is the highest we have reported for a quarter for many, many years, roughly a decade. Again, the strong profit is built on these stable volumes that I mentioned.

And with the favourable net effect of pricing and cost, which is clearly visible on that graph, which comes both from our net revenue management programme, and as we in the quarter had caught up on some of the earlier cost increases.

We said this many times, but we negotiate new pricing and market input cost increases. But as a result, there is inevitably a lag between when the costs are going up and our pricing comes into effect, so here we have caught up. Now, I also want to repeat then what I said at the outset, which is that while the overall environment in totality is more stable than a year ago, some costs are still going up, even versus quarter one this year, such as for cocoa, but also in part of the packaging. Some other materials are stable or coming down. But we will continue with our pricing strategy, which is to take price with absolute increase, even though that does have a compression effect on the margins.

And on that note, on the margins, we are very happy that for the quarter and for year-to-date, we are back on double-digit EBIT margin. Now that's on the back of the step up in gross margin. We are improving and we will continue our focus in this area. Still, the quarter two step up is quite big, and here I would like to say that you need to keep in mind that as costs continue to go up, our offsetting higher pricing will compress some of the margin improvement. And on the same topic, when we turn towards colder weather in the back half of the year and chocolate consumption goes up as a share of our portfolio, with this new higher cocoa cost and the pricing that we will take for it, we also will see some of that favourable Q2 margin a little bit compressed.

Now, before looking at the segments separately, I also want to mention here that we are still working through the details with the supplier of that nonconforming ingredients, which we spoke of in quarter one. We work with them for something like 50 years, and we expect this to be solved in a good way. But the quarter two results does not include any reduction in the provision that we took in quarter one. Now, let's look at the profit by segment.

Starting with the branded packaged products on the top row. we're again pleased to have been able to protect the profit in the segment, despite the input cost hike since last year, and while it is regrettable that the pricing does compress the margin. Now in the quarter, there is a favourable effect from catching up on the pricing and the net revenue management action that I mentioned. But there is also an unfavourable mix on account of pastilles volumes being a bit down, and also on the chocolate that we have a little bit less of in the portfolio. Still, on the pastilles, the trajectory is that they are actually less down in Q2 than they were in Q1, so that is a promising sign.

And also on the gum category, the volumes actually grew in the quarter. We're putting a lot of focus in this area, and I hope that we can keep reporting promising numbers there.

Now, I also flagged in the Q1 earnings call that we were going to step up on marketing in quarter two compared to last year, by about 10 to 20 million Swedish kronor, and we did that. Now, given how strong the volumes came in, we held that step up to about 10 million. Now for quarter three, I will again repeat the same thing, which is that we will step up spend versus last year somewhere in the range of 10 to 20 million. Because we firmly hold that it is the continued investment in our brands, which allows us to continue to take pricing because the retailers appreciate that the consumers are coming back to buy our product, even when they have to charge them more.

Now, on the bottom row, though, for Pick & mix, the quarter looks really, really different. And we really do like that. And despite the shift of Easter by one week to quarter one, this quarter two we are delivering a margin again in line with the mid-term target of an operating profit adjusted of 5 to 7%. Despite the Easter shift, that was more than offset by continued margin enhancing initiatives and a favourable market mix. And what you see here is a lot of work over a long time that really starts to deliver. Pricing has caught up, and despite higher prices, healthy volume and higher efficiencies related to merchandising, work on assortment, fixtures, everything basically. Now, this step up is really encouraging, but I would like to be able to present a few more good quarters like this before saying that we have locked in on the mid-term target.

Now, moving down to sales and general and admin for quarter two and year-to-date. They look kind of similar, where the one-time effect of the sale of the Nutisal store brand, which is captured in the items affecting comparability, drives the overall variance. And it also in a way distorts the total cost as a percent of sales. And if we rather look at the actual net SG&A, that increase is driven by, of course, general salary inflation relating to our own workforce since last year. Same effect for our suppliers, including work contracts, are indexed. But also importantly, due to the higher marketing spend that I mentioned, which ultimately enables the volumes, and those, in turn, the pricing. That accounts for roughly half of that increase, both for the full year.

Now, moving then on to our waterfall (unclear) to 14% here. I'm not going to make a detailed update on the efforts to drive bottom line profitability beyond what I already mentioned. But I think it's fair to use a darker shade of green here now, on that arrow that talks about Pick & mix, given the strong results. But I'm keeping the light green shade for the branded. A lot of effort is ongoing. I think we will be able to do something nice with this, even though the margin remains compressed.

I also want to repeat what we said before with respect to the greenfield delivery. It will secure and improve on our ability to deliver the targeted margin. We previously in quarter three, in the earnings release, I reconfirmed that despite the high interest rates, the net investment remains in line with what we communicated. And, as you know, we had taken headroom for uncertainty when we originally announced this in 2022. At that time, in Q3 last year, we also confirmed that we would generate higher up in the range of EBIT, given that part of the upside comes from savings on payroll cost, and since payroll costs have gone up, that saving is now worth more money than what it used to be. Now, as shared previously also, we will be able to provide a more detailed update on both investment and savings when we have sufficiently progressed or even close to ongoing tendering and contracting process. And that, in turn, of course, depends on the complete finalisation of permits, and we will revert on this.

Now, moving on to cash flow. There is a seasonality to our cash flow, as many of you know, where historically most of the cash is generated in the back half of the year. And Q1 is normally pretty poor as the quarter starts with lower working capital after Christmas, and then it improves a bit. But we're also doing stock build-ups in quarter two for the holiday season. And then in the second half, that's where we really generate the cash. Now this year, we started with a strong Q1. We delivered 99 million in free cash flow. I'm really happy to say that we could add to that strong Q1 now in quarter two with another 28 million, which is 26 million more than quarter two last year. Year-to-date, we are now 148 million Swedish kronor better on the free cash flow than last year. And these numbers do not include any of the proceeds from the divestment of the Nutisal brand, which comes under other investing activities.

Now, part of the improvement is due to the efforts to increase the focus on cash across the organisation, and part is due to the inflation having slowed down somewhat year-to-date. Although, as you see in the quarter, we did increase our working capital close to what we're did in Q2 last year. I also said this in Q1, which is that we are not in a deflationary environment, but I think I made the point clear already that we will need to take more pricing. Now on CapEx, 30 million is on the lower side of our normal spend due to several contributing factors that include phasing of spend, but also, to some extent, driven by the preparation for the greenfield. Where we have communicated that that investment will help us avoid, or you could say displace, the need for other investment in CapEx in some of the other plants. So, it does help, but the biggest effect will come when the new plant is up and running, of course.

Year to go (?), we expect our CapEx spend to be in the range of 50 to 60 million per quarter. Nonetheless, 127 million in free cash flow is the best Q2 year-to-date cash flow we've had since 2017. And it's worth pointing out that this is not a one-time effect, but the continuation of a process that has been going on for quite some time. And that is quite clear when we look at the financial position on the next slide.

Here, I'm really, really pleased that on account of strong cash flow and the improved profit, we closed the quarter with a net debt EBITA of 1.8, so well below our target of 2.5. Now, given the payment of dividend in quarter two, leverage tends to go up in quarter two versus quarter one, I also flagged for that in Q1. And the levers did go up from 1.6 to 1.8, but normally it goes up with something up to 2.5. And actually versus Q2 last year, leverage is now down from 2.3 to 1.8, which makes this quarter two our best-ever quarter two. Now, you might be wondering if this was helped by the sale of the Nutisal brand, but it doesn't, because with or without that, our leverage does round to this best-ever 1.8.

Now on the graph to the left, and maybe it's a bad choice of colour, but if you look at the red line in the graph, it's consistently trending downwards to improve position over these last number of years, with the bumps being quarter two when dividends are paid. But even so, for a quarter two this year, the bump is hardly there. And if I would stretch this graph out maybe another five years back, you would see that leverage was rather stable at around 2.8 every quarter two during that period. The improvement to bring Q2 leverage down to 1.8 is a really nice step up.

Now, finally, we currently have access to additional unused credit facilities, commercial papers, and cash on hand for 3.9 billion, which is double the net need for the greenfield. I would conclude that our financial position is strong. And with that, back to you, Katarina.

Katarina Tell

Thank you, Frans. I really understand your eagerness of presenting the financials. And one enabler to deliver those numbers is, of course, our strategy. And I would like now to give you a strategic update. For you who are new on the call, we had the last years focussed on four strategic areas. The first one is to grow our branded packaged business. The second one is to create value within Pick & mix. The third is to lower costs and improve efficiency throughout the company. And the fourth is to drive our sustainability agenda.

To be able to grow and see our brand flourish, we are convinced our consumer must be focussed, because in the end, they are the ones that will buy, eat, and enjoy our products. I will now go through the four different strategic areas a little bit more in detail.

Starting with our first strategic focus area, and that is to grow branded packaged goods. We focus on six parts. The first one is to improve and grow the right product mix. One important part is to continue to recover the pastilles and chewing gum sales that dropped during the pandemic, but also to divest brands that aren't contributing to the profitability target of 14%, like Nutisal. The second part is to grow market shares of our key brands in our core market. We primarily focus on investing behind the brand that has, or could reach a top three position in its category. The third one is to win a stronger position in UK and Germany. There are 140 million potential consumers living in this area, and we have not reached all of them yet.

The fourth part is to expand selected brands into countries that are currently outside our core markets. We actually have a dedicated international market team working with distributors to grow this area. The fifth part is to launch fewer, but bigger innovation to ensure profitable growth. The latest example is Läkerol Strawberry, that has successfully been launched in several markets during 2024. The last one is to drive growth in other channels than the traditional retail universe, like e- and Q-commerce. But I would also like to mention our own stores by Cloetta that we today have in Sweden. Their turnover has been growing double digits year-on-year. In our next slide, I will tell a bit more our progress in e- and Q-commerce during the first half of the year.

And as most of you probably know, e-commerce has been an overall strategic focus area for us for several years. But as quick commerce expanded rapidly during the pandemic, we decided to also step up focus in this emerging channel. The achievement with e- and Q-commerce that I would like to highlight during the first half of the year are, first, the double-digit growth we have reached with Jelly Bean at Amazon, and especially at Amazon in the US.

Secondly is that we became the supplier of the year at foodora, the leading Q-commerce player in Sweden. And one of the reasons we got the award was the virtual population-up store for Juleskum, where we offered both candy and merch that we launched at foodora market in Sweden during the autumn last year.

Third highlight is that during Q2, we actually launched a dedicated online store for merch. We have been running Cloetta online stores for several years and in different markets, but launching an online store for merch is, of course, also nice recognition how loved our brands are, as the launch was very much driven by consumer demand.

Then we are moving into our second strategic focus area, and that is to secure sustainable value from the Pick & mix business. We strongly believe in this category because it's, one, its own consumer trend, where the consumers are looking for greater individualisation and asking for more sustainable packaging. Second, customers see this concept as a differentiation for their stores, and a joyful and inspiring Pick & mix shelf will attract shoppers to them. We see potential also to drive value for customers and all other stakeholders through the premium offering. And, of course, if you get the scale, there is a very good opportunity to drive cost efficiency in this category. Cloetta has already a strong market position in this area and has therefore, the potential to develop and further profitably grow Pick & mix.

And we have strong two strong quarters, but it's still premature to state that we have sustainably reached the mid-term target of EBIT 5 to 7%. But we are absolutely on the right way and we have a strong position in this area, as we today are the largest Pick & mix supplier in Europe. Pick & mix is the fastest growing confectionery category in the Nordic market. We are today the only player with a multi-market scale and proposition. Our concept is very inspiring and is inspiring both offline and online. And last year, we actually launched our first pre-packed mix for quick commerce in several Nordic markets, as quick commerce is a channel that is highly relevant to impulse-driven purchases. This was a very successful strategic decision. And the last one is that our Pick & mix model is repeatable, which makes it possible to expand into new markets and channels.

Then we're moving into our third strategic focus area, and that is to take out costs and improve efficiency. To drive this agenda, we have six different key deliverables. The first one is our perfect factory, where our aim is to increase efficiency and reduce waste and energy at our plants. The second one is our greenfield project that I will come back to on next slide. The third one is to reduce indirect costs. The fourth is to drive net revenue management, where we are focusing on all pillars, but I would say especially on portfolio pricing and promotions. Fifth is to be smarter in media investment by, for instance, in increasing working media. Working media is visible for consumers, non-working is the investment behind developing the material. Sixth area is, of course, to focus on cash generation.

Then I would like to give an update on our greenfield facility in the Netherlands. As you know, when the plant is operational, it creates capacity for growth, significantly reduces costs, and reduces greenhouse gas emissions. Because of the new plant, we are closing three current confectionery factories, one internal Belgian and two in Roosendaal in the Netherlands. At the end of Q2, we closed the first plant in Roosendaal, ahead of the original plan. During the quarter, our internal project work stream continued as planned, and the regulatory permitting process also developed as planned. And we are especially happy to have received overwhelming political support from Roosendaal City Council for the zoning plan.

Then we're moving over to the fourth strategic focus area, sustainability. Our sustainability initiatives cover topics across the value chain, where Cloetta can make an impact. And this slide summarises our sustainability targets, agenda, and ambitions. We have clustered our sustainability agenda into three areas for you, for the people and the planet, and built our plans and targets accordingly. One of our most important targets is, of course, the reduction of CO_2. And as you might have read in our latest annual report, our total CO_2 emissions have decreased with approximately 10% compared to the base year 2019. This is a decent start, and we are working towards our commitment to reduce our greenhouse gas emission by 46% by 2030.

Then moving on to an important decision made in this quarter. We have decided to start aligning our reporting according to the Corporate Sustainability Reporting Directive requirements already in 2024, and this is actually one year ahead of the required deadline. I'm proud of this decision, as the CSRD makes a significant step towards accounting for sustainability alongside financial reporting in the EU. This, of course, also means that we have now finalised our double materiality analysis, as well as the gap analysis. We now look forward to starting to work on our annual report for 2024, where this change will be very visible. Now it's time to hand over to Laura for the Q&A.

Laura Lindholm

Thank you very much, Katarina and thank you, Frans. It's now possible to either dial in and ask your question live. You can alternatively also post your question through the chat, which is now open. Operator, do we have any questions from the telephone lines?

QUESTION & ANSWER

Operator

Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use only handsets while asking a question. Anyone who has a question may press star and one at this time

Frans Rydén

I think I can take the first one, which is on the slide here from Stephane at Moody's. There's three parts to this question. The first one is about giving a bit more flavour to the higher input cost for cocoa and what that means. And the other part of this is a little bit on the Nutisal divestments and timing around that. Let me start with the last one, which is very simple.

The official date is on 4 July. Basically, that's why two of the months in the quarter are in these results and one month is out. And the question is any further one-off costs for the divestments? No, there is not. We've taken everything, there won't be anything else negative coming through on this.

And then coming back to the major question here, around if we could give more flavour, if there's a negative impact in the autumn from higher input costs for chocolate products, if that will be visible in the group margin, or if it's just the chocolate products, etc.?

Let me break that down. The first thing is cocoa prices are continuing to go up. This is changing every day. But if you look at this, the powder or the different type of chocolate components, they're up 60, 70, 80% versus quarter one. So this is coming through and, as we've said, we will continue our strategy to take in fair pricing for the increased cost. Given that is happening now, of course, there is always a little bit of a lag before our new pricing comes through. So that's one thing to think about, that there could be a bit of a lag between our new higher prices and when these costs are actually hitting our P&L. That's one.

Number two is that any increase we make on a one-for-one basis, offset the higher cost, has a compression effect on the margin. When you look at this and you know that a year ago, in 2023, about 8% of our costs were coming from cocoa, that has now of course gone up with the higher prices. It is a significant component of cost for us, but if someone thought we were just a chocolate company versus that, of course, it's not.

We are a candy company, but chocolate is an important aspect. A little bit depending on how those costs play out. And no one knows for sure, of course. This could reverse itself, it could get worse. But definitely, it does have a bit of an effect.

But then we're saying versus Q2. And in Q2 now, we've done a really nice step up. So, of course, we're talking about that that step up will be somewhat moderated in the back half of the year. And the final piece of this is there is a mix component here as well. It was a little bit less chocolate now in Q2, in the back half of the year chocolate will be a bigger part of the portfolio. If we didn't think that there was anything at all here, we probably would not have mentioned this. The conclusion should be on the total company, probably that there may be an impact on this level of step up that we've seen in Q2.

Laura Lindholm

Thank you, Frans. Moderator, do we have any questions from the telephone lines?

Operator

There are no questions over the phone.

Laura Lindholm

Thank you very much. We also have some questions from our retail shareholders, which have been pre-registered. The first one is for you, Frans. Have all the price negotiations held with customers been successful?

Frans Rydén

I think the short answer, I would say, is yes. It doesn't mean that it's easy. And we respect the fact that consumers have seen a lot of inflation, so it's not easy to absorb more cost as a consumer. And, likewise, we fully appreciate that this is also not easy for our retail partners, the people that that help us get our products out to the consumer, they also have challenges. But we have a transparent approach where we price based on public available data on what's happening in the market.

Now, that doesn't make it an easy conversation, but sticking to this strategy ultimately has enabled us to take fair pricing for our products. And as you know, in the past we did walk away from contracts where we couldn't get the fair pricing through. Principally, we do that. As of this quarter, we don't see the need for that. I would say, yes, it's successful, but it's difficult, but we understand the challenge for all the parties involved.

Laura Lindholm

Thank you, Frans, very clear. Then over to you, Katarina. In the report you mentioned the investments in core brands. Could you walk us through what we mean with these core brands?

Katarina Tell

For Cloetta, the core brands are the brands in our core markets. And the expectation is that they have, or have the potential, to reach the top three value position in the categories where they're playing. And, of course, we are also continuously monitoring their performance on the different core markets.

Laura Lindholm

Thank you very much. And it appears we have no further questions from the telephone lines and also no further questions in the chat. We conclude the event today and take the opportunity to remind everyone of our upcoming IR events. Our next report, Q3, is published on 25 October, but before that, on 9 September, we have a group lunch in Stockholm, arranged by Nordea. Thank you, everyone, for joining today. We wish everyone a very relaxing summer and, of course, hope that you get the chance to enjoy Cloetta's products during many joyful and memorable occasions.

Frans Rydén

Thank you. Goodbye

Katarina Tell

Thank you. Goodbye

- END -