Q4 2019 result – 29 January 2020

Henri de Sauvage-Nolting, President/CEO and Frans Rydén, CFO
Q4 highlights
Continued growth and improved profitability

- **Net sales** amounted to SEK 1,722m (1,646). Organic growth amounted to 2.6 per cent
- **Operating profit, adjusted** amounted to SEK 216m (174)
- **Operating profit** amounted to SEK 209m (159)
- **Profit for the period** amounted to SEK 172m (159)
- **Cash flow** from operating activities amounted to SEK 318m (288)
- **Net debt/EBITDA** was 2.2x (2.3x)
- **Proposed dividend** of SEK 1.00 (1.00) per share
Market and sales development

Eight consecutive quarters of growth in branded packaged products

- **Organic growth** was 2.6 per cent
  - 3.6% branded packed growth, eight consecutive quarter
  - 0.0% pick & mix growth, lower volumes in Sweden following pricing
- The **packaged confectionery** market increased in all markets
- The **pick & mix** market grew or was stable in all markets
- **Market shares** grew in 4 of 16 categories in the quarter
Cloetta Core Strategy
Update Q4

- Brands continue to grow
- Focus on marketing visible to consumers
- Fewer but bigger
- Pick & mix: stable development
- Relaunch of the Candyking brand

- Perfect Factory:
  - 11 of 17 targeted lines
  - Efficiencies
  - Quality improvement
- Global IT solutions:
  - Planning tool 3 > 1
  - New ERP in Germany
- Media agreement

- Value Improvement Program+ on track
- Reorganization
- Funded growth
- Pick & mix Sweden:
  - Continued pricing
  - Merchandizing
  - Warehouse

Target: Organic sales growth in line with market and EBIT margin, adjusted, at least 14%
Changes in net sales

Strong finish on branded; Full year on long-term target

Fourth quarter
- Branded packaged: +3.6%
- Pick & mix: +0.0%
- FX: +2.0%
- Total: +4.6%
- Q4 ’18: 1,646
- Q4 ’19: 1,722

Full year
- Branded packaged: +2.3%
- Pick & mix: +2.3%
- FX: +2.1%
- Total: +4.4%
- 2018: 6,218
- 2019: 6,493
Sales development
Eight consecutive quarters of growth in branded packaged products

Branded, % of Q4 '19 sales
- 73%

Pick & mix, % of Q4 '19 sales
- 27%

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Q4 Financial summary

Strong operating profit, adjusted

- Gross profit and gross margin driven by strong sales from pricing and favorable product mix, partly offset by higher conversion cost and negative FX

- SG&A decrease driven by less cost for items affecting comparability

- Operating profit, adjusted, driven by strong sales from pricing and favorable product mix

<table>
<thead>
<tr>
<th>Key ratios, SEKm</th>
<th>Fourth quarter</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>649</td>
<td>606</td>
</tr>
<tr>
<td>- Gross margin, %</td>
<td>37.7</td>
<td>36.8</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>-440</td>
<td>-447</td>
</tr>
<tr>
<td>- SG&amp;A/Net sales, %</td>
<td>25.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Operating profit, adjusted</td>
<td>216</td>
<td>174</td>
</tr>
<tr>
<td>- Operating profit margin, adjusted, %</td>
<td>12.5</td>
<td>10.6</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>209</td>
<td>159</td>
</tr>
<tr>
<td>- Operating profit margin (EBIT margin), %</td>
<td>12.1</td>
<td>9.7</td>
</tr>
</tbody>
</table>
SG&A

Quarter and Full year variances driven by FX as cost savings fund investments

Fourth quarter

-447
Q4 ’18

14
Items affecting comparability

-6
FX

-1
Investments net of cost savings

-440
Q4 ’19

27,2%

25,6%

+7

25,6%

26,2%

-26

25,5%

Full year

-1 628
2018

6
Items affecting comparability

-31
FX

-1
Investments net of cost savings

-1 654
2019

27,2%

25,6%

-26

25,5%
### Strong Free cash flow in the quarter

- **Strong Free cash flow** in the quarter and full year from higher EBITDA.
- **Other investing activities full year** driven by the earn-out payment related to Candyking acquisition.

<table>
<thead>
<tr>
<th></th>
<th>Fourth quarter</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEKm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow before changes in working capital</td>
<td>254</td>
<td>211</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>64</td>
<td>74</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>318</td>
<td>288</td>
</tr>
<tr>
<td>Investments in PP&amp;E and intangible assets</td>
<td>-49</td>
<td>-48</td>
</tr>
<tr>
<td>Other investing activities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-49</td>
<td>-48</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-18</td>
<td>0</td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>251</td>
<td>240</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>269</td>
<td>240</td>
</tr>
</tbody>
</table>
Summary
Key Business Priorities: Q4 update

Cloetta to organic growth and 14% operating profit margin, adjusted

**Branded growth**
- Focus on marketing visible to consumers
- Media agency consolidation creates synergies and scale
- Pricing to cover for raw material and FX effects

**Pick & mix to sustainable value**
- Turn around loss-making SE business by year-end 2020:
  - Price increases to address negative margins
  - Warehousing consolidation for cost savings
  - Pricing on bulk articles to address margins

**Reduce costs and drive efficiency**
- Indirect costs addressed Value Improvement Program+
- 5 lines added to the “Perfect Factory” program
- Increase capacity through opening hours and Capex
- Start implementation of One End to End planning system
Q4 seasonal highlights

- Less trick, more treat - Halloween visibility and seasonal items
- Enhancing the X-mas tradition, Polka voted #1 limited edition
Q4 seasonal highlights

- Proudly supporting a good cause with our foam special edition
- Consumers favorites expanding in Middle East
We bring a smile to your Munchy Moments

Cloetta
Appendix
## IFRS 16

### Impact on financial statements – fourth quarter

<table>
<thead>
<tr>
<th>SEKm</th>
<th>IFRS 16 Q4 2019</th>
<th>IFRS 16 Adjustment</th>
<th>IAS 17 Q4 2019 Pro-Forma</th>
<th>Impact due to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and Equipment</td>
<td>1,559</td>
<td>203</td>
<td>1,356</td>
<td>ROU-assets</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>939</td>
<td>140</td>
<td>799</td>
<td>LT Lease liability</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>1,870</td>
<td>64</td>
<td>1,806</td>
<td>ST Lease liability</td>
</tr>
<tr>
<td>Net debt</td>
<td>2,302</td>
<td>204</td>
<td>2,098</td>
<td>Lease liability</td>
</tr>
<tr>
<td>EBITDA</td>
<td>283</td>
<td>20</td>
<td>263</td>
<td>Depreciation ROU assets and interest lease liability</td>
</tr>
<tr>
<td>Operating profit</td>
<td>209</td>
<td>1</td>
<td>208</td>
<td>Interest lease liability</td>
</tr>
<tr>
<td>Operating profit, adjusted</td>
<td>216</td>
<td>1</td>
<td>215</td>
<td>Interest lease liability</td>
</tr>
<tr>
<td>Net financial items</td>
<td>4</td>
<td>-1</td>
<td>5</td>
<td>Interest lease liability</td>
</tr>
<tr>
<td>Net debt/EBITDA (Rolling 12 months)</td>
<td>2.2</td>
<td>-0.0</td>
<td>2.2</td>
<td>Lease liability/Depreciation ROU assets</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>318</td>
<td>19</td>
<td>299</td>
<td>Payment of lease liabilities to financing</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>-18</td>
<td>-19</td>
<td>1</td>
<td>Payment of lease liabilities from operating</td>
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**IFRS 16**

**Impact on financial statements – Full year**

<table>
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<tr>
<th>SEKm</th>
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</table>

| | EBITDA | | | |
| | 1,030 | 79 | 951 | Depreciation ROU assets and interest lease liability |
| Operating profit | 727 | 3 | 724 | Interest lease liability |
| Operating profit, adjusted | 743 | 3 | 740 | Interest lease liability |
| Net financial items | -79 | -3 | -76 | Interest lease liability |

| | -0.0 | | | |
| Net debt/EBITDA (Rolling 12 months) | 2.2 | -0.0 | 2.2 | Lease liability/Depreciation ROU assets |

| | Cash flow from operating activities | | | |
| | 724 | 75 | 649 | Payment of lease liabilities to financing |
| Cash flow from financing activities | -362 | -75 | -287 | Payment of lease liabilities from operating |
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