

Claretta

Roadshow

11-13 November 2015

Cloetta – the leading Nordic confectionery player

- **Founded** by the three Cloetta brothers in **1862**
- **Annual sales** of SEK **5,313**m in 2014
- **Adjusted EBIT** of SEK **632**m
- **Leading local brands** in **6** countries
- **Leading market positions** in Sweden, Finland, Norway, Denmark, the Netherlands and Italy
- **2,500** employees in **14** countries
- **Production** at **13** factories in **6** countries
- **Listed** on Nasdaq Stockholm.
The largest shareholders are Malfors Promotor, AMF – Försäkring och fonder and Threadneedle Investment Funds.



• **Laura** Out driving with **@Sarah** munching on **#Bilar**

**Cloetta is all about
Munchy Moments**

To bring a smile to your

**Munchy
Moments**

Cloetta



Which markets do we wish to serve?

NEW TERRITORY

Chocolate



Chewing Gum



Candy & Liquorice



Pastilles



Munchy Moments is our territory!



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Cloetta's key strategies



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Focus on margin expansion and volume growth	Focus on cost-efficiency	Focus on employee development
<ul style="list-style-type: none"> • Strong brands with local traditions. • Strong position in the Nordic market. • Widen and expand the product portfolio geographically. • Launch and acquire new products and brands. • Strategic pricing. 	<ul style="list-style-type: none"> • Improve internal processes and systems. • Improve cost-efficiency through the closure of factories. • Implement a programme for continuous improvement ("Lean 2020") in the supply chain. • Increase breadth in production technology to create flexibility in product development. 	<ul style="list-style-type: none"> • Develop Cloetta's culture based on the results of the employee survey "Great Place to work". • Attract, develop and retain competent employees. • Develop teamwork with the help of the leadership tool "Management Drives".

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Long-term financial targets

- **Organic sales growth**

The long-term target is to increase organic sales at least in line with market growth.

- **Adjusted EBIT margin**

The target is an operating profit margin, adjusted of at least 14 per cent.

- **Net debt**

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

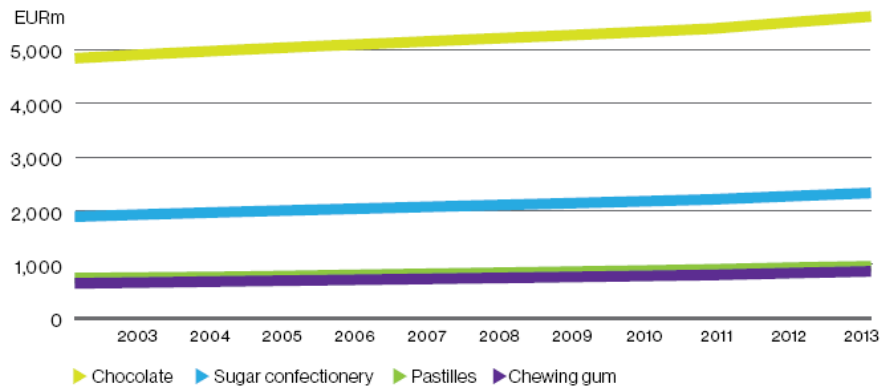
- **Dividend policy**

The long-term intention is a dividend payout of 40-60 per cent of profit after tax.



Attractive non-cyclical market

Market development in Cloetta's main markets¹⁾



¹⁾ Including Sweden, Finland, Norway, Denmark, Italy and the Netherlands. Source: Datamonitor

Key trends and Consumer behaviour

- Market driven by increase in population, higher prices and to some extent also increased per capita consumption
- Demand for differentiated and innovative products
- Strong brands gain market share
- Purchases highly impulse driven
- High brand loyalty
- Availability is an important factor for impulse driven purchases
- Appreciation of innovation – taste, quality and novelties is important



Strong local brands

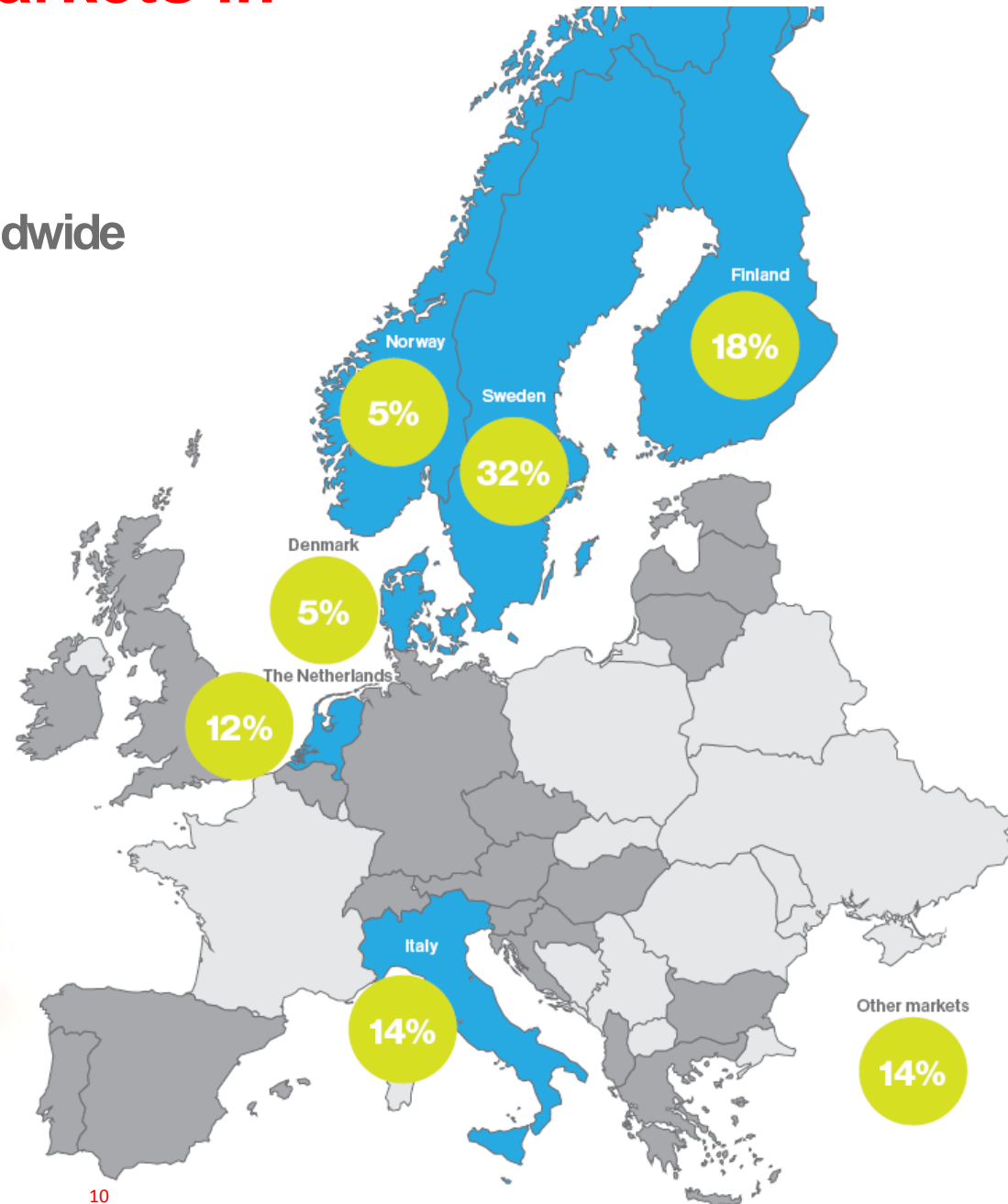


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Cloetta has its 6 main markets in Western Europe

Exports to more than 50 countries worldwide

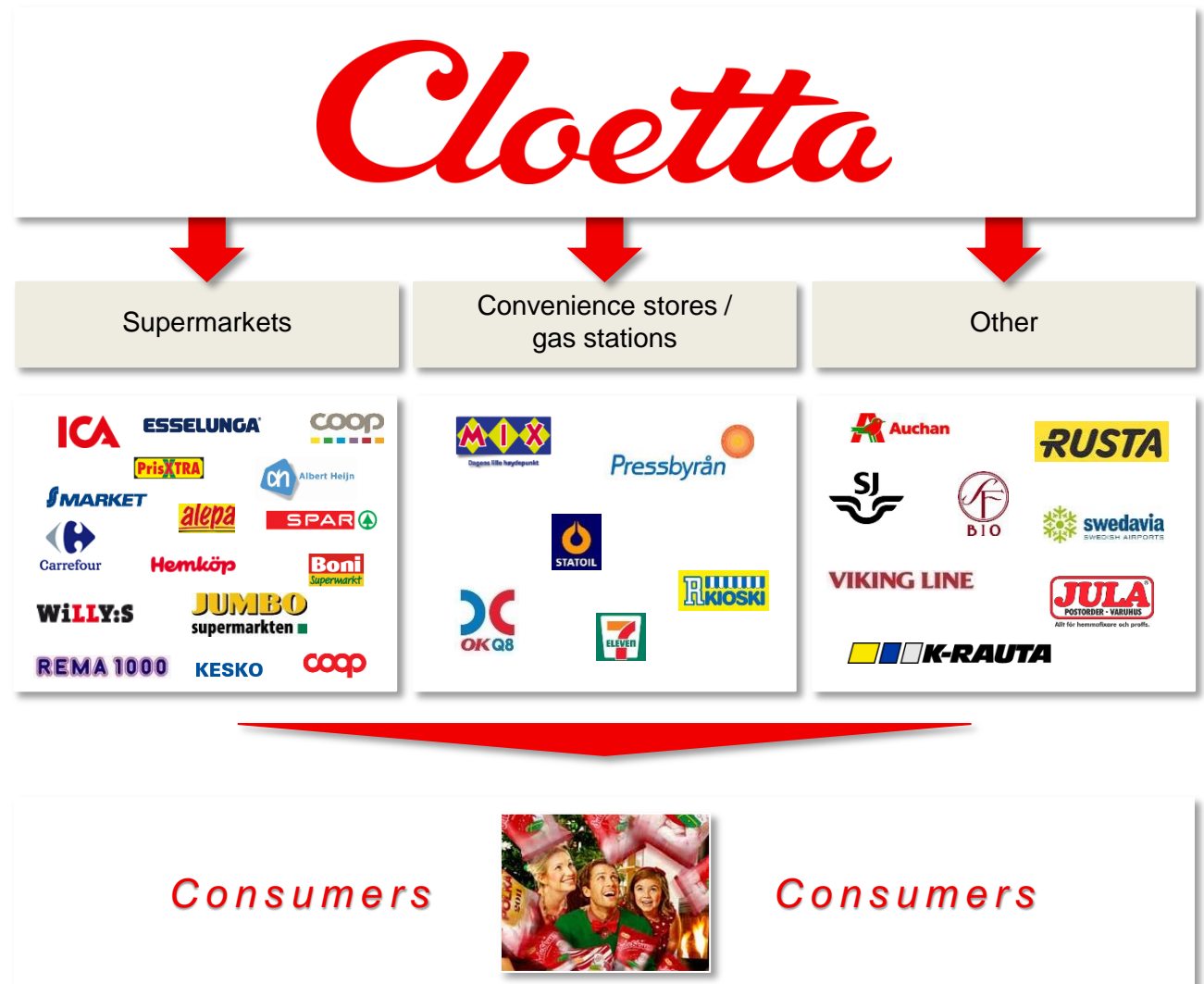
- ▶ Main markets – countries where Cloetta has a national sales organisation.
- ▶ Countries where Cloetta's products are sold mainly through distributor agreements.



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Best in class route-to-market

- Customer relations
 - Large and efficient sales organisation in place in all main markets
 - 80% of total sales generated from markets with own sales force
- Execution
 - Ensure that negotiated listing and distribution agreements are followed
 - Ensure good visibility on shelves and checkout lines
 - Implement campaigns efficiently



Clear strategy to deliver profitable growth

Every day great execution

- Broaden distribution
- Promotion planning and execution
- Advertising campaigns
- Seasonal products
- Packaging updates and upgrades
- Line extensions

Strategic initiatives

- Sizing and pricing
- Brand extensions
- Fill white spots
- Geographical roll-out
- Brand re-launch
- Innovations

New territory

- Acquisitions
- New geographies

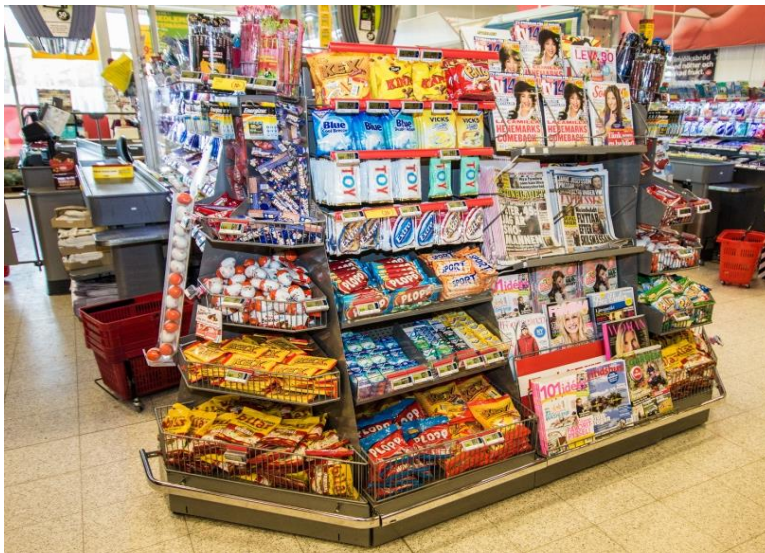


Every day great execution



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Every day great execution



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Strategic initiatives

Examples



Viva Licorice

Launch of Dutch products under Malaco brand



Sportlife Mint

Chewing gum brand stretches into pastilles



AKO

Re-launch of AKO toffee



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Launch of Cloetta chocolate in Finland



Läkerol DentaFresh

Launch of xylitol pastilles in Sweden



Godisfavoriter

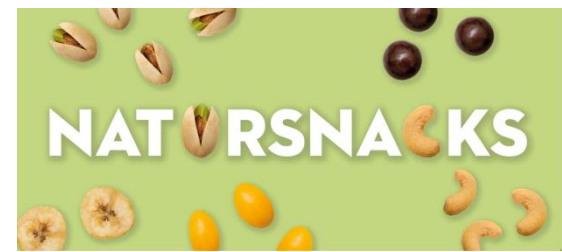
New Pick & Mix concept at Coop Sweden

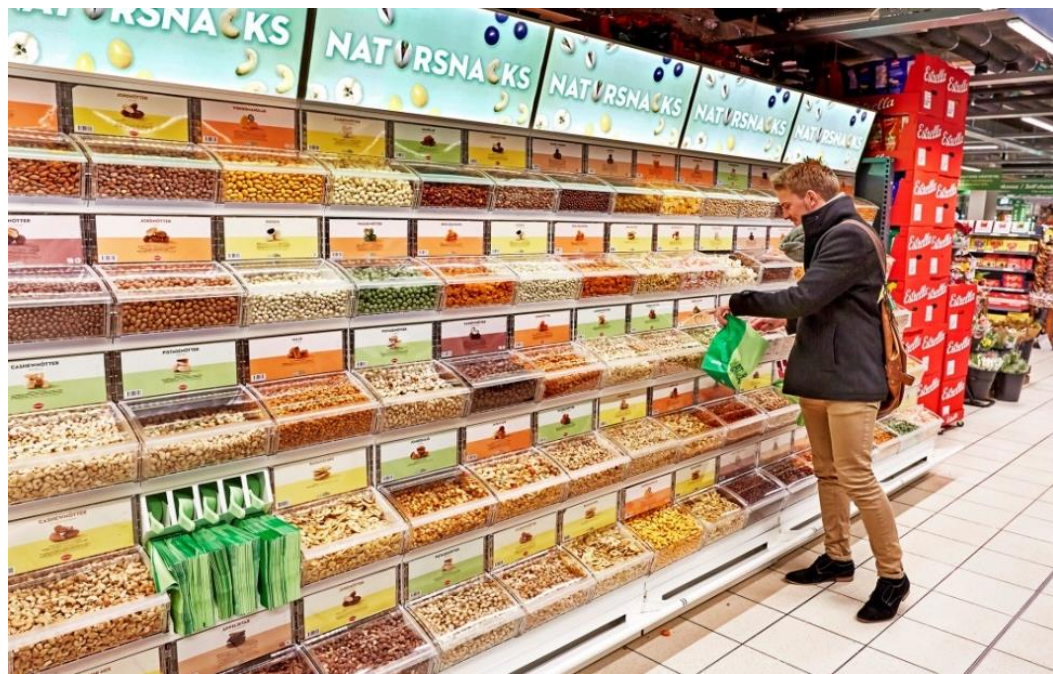
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Pick & Mix concept

- Cloetta launched a Pick & Mix concept in Coop Sweden early 2015
 - Handling of product range, racks and merchandising
 - Also a concept for natural snacks, e.g. nuts
- Cloetta has since many years its own Pick & Mix concept in Finland (Karkkikatu)
- Cloetta can utilize a wide range of products from several markets and factories
- Cloetta has experience from the entire value chain; production, logistics, planogram and promotional activities
- Pick & Mix accounts for 30% of total market volume in Sweden
- Cloetta can over time sign new Pick & Mix contracts to drive growth

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Acquisition of Nutisal, The Jelly Bean Factory and Lonka

- Nutisal is a step into a new category with an established brand
 - Dry roasted nuts gives a unique ‘crisp’ to the products
 - The nuts category is growing in Western Europe by 5-8%
- The Jelly Bean Factory Brand is a premium “gourmet” product
 - Solid growth over recent years with an attractive EBIT-margin
 - Significantly strengthens Cloetta’s position in the UK
- Lonka significantly strengthens Cloetta’s position in the Netherlands
 - Strengthens Cloetta’s product offering, including Pick & Mix, and position in the Nordics and the UK
 - Diversifies Cloetta’s product range into new categories
 - Entry into Dutch chocolate market
 - Supports profitable growth in core categories through synergies



Lean 2020: From restructuring to continuous improvement in Supply Chain

- Major manufacturing restructuring completed
- There is potential to improve operations after a very disruptive period
- Cloetta Lean program provides a good base for continuous improvement



Common Global ERP System

Enables increased efficiency over time

- Implemented in Sweden, Norway, Denmark, Finland, Slovakia, Holland and Belgium
- Roll out will continue across geographies



QlikView

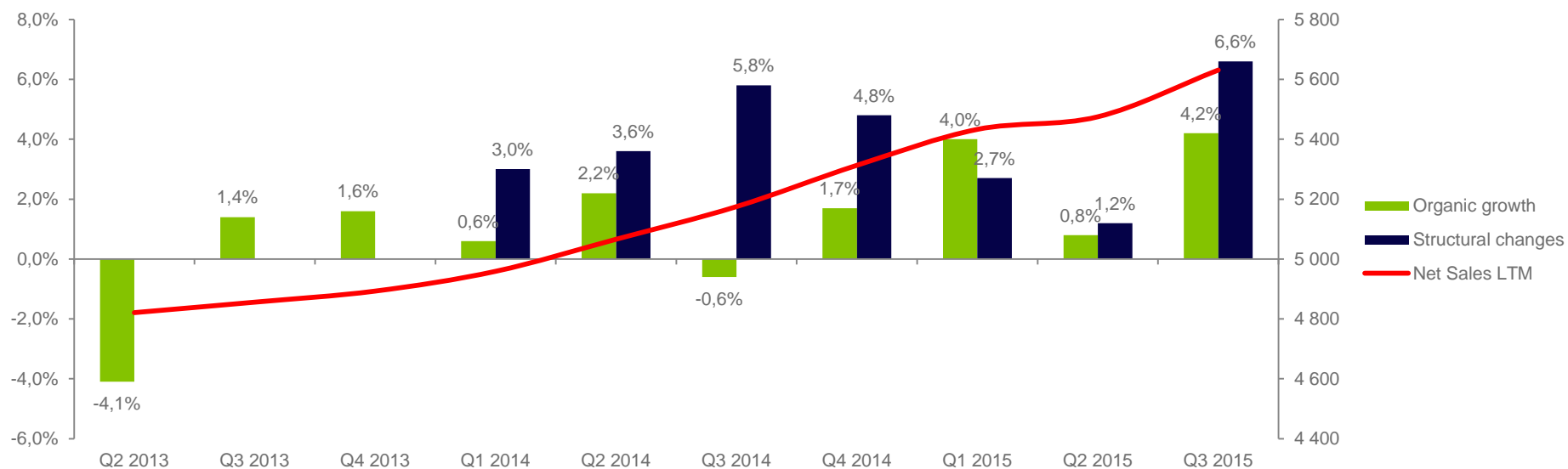


Increased sales

Changes in net sales, %	2014	2013
Net sales, SEKm	5,313	4,893
Organic growth	1.0%	-1.0%
Acquisitions	4.3%	2.1%
Changes in exchange rates	3.3%	-0.4%
Total	8.6%	0.7%

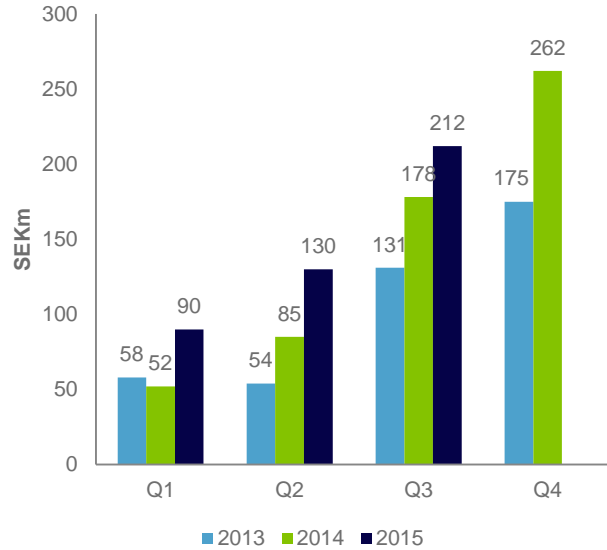
Target

- Organic sales growth at least in line with long term market growth
- Historical aggregated value growth of approx. 1-2% in Cloetta's markets

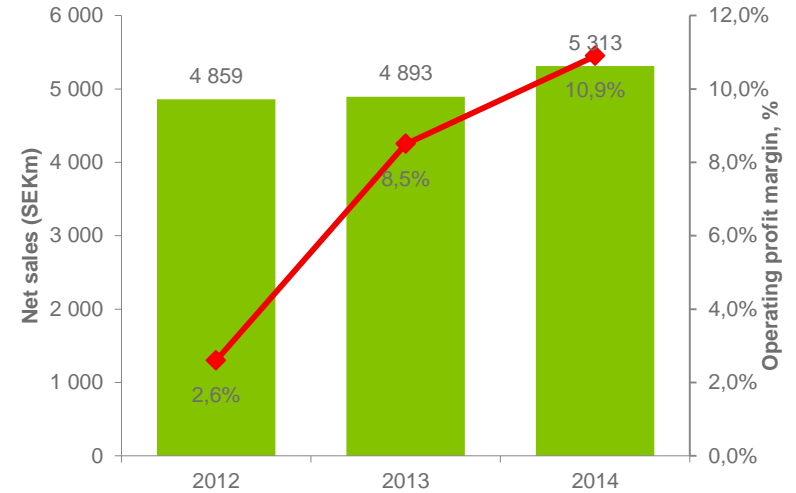


Improved operating profit and margin

Operating profit



Sales and Operating profit margin, %

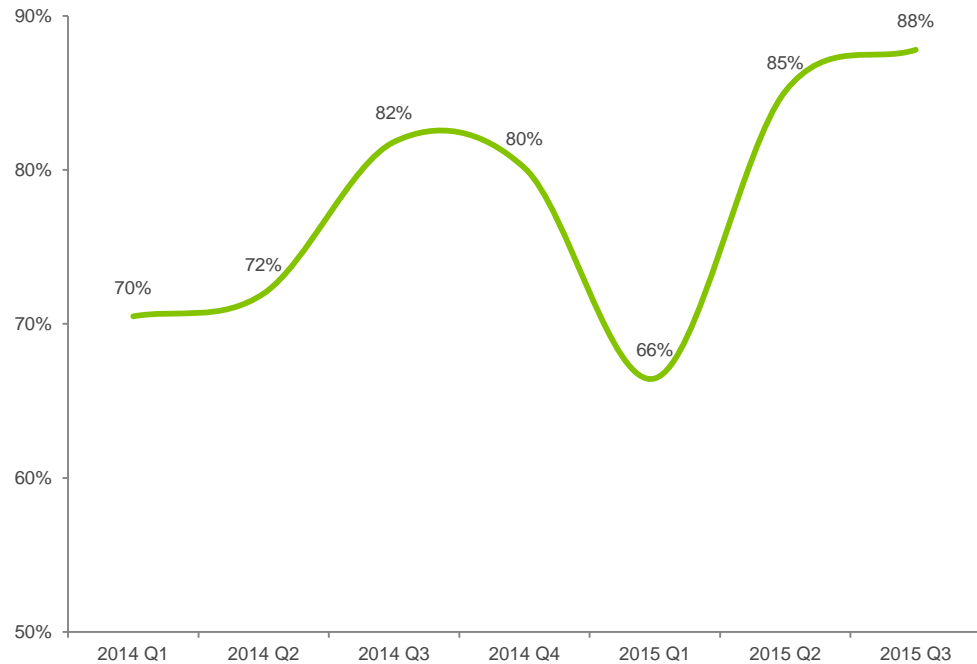


Target

- Operating profit margin, adjusted: at least 14%

Attractive cash conversion

Cash conversion development¹⁾

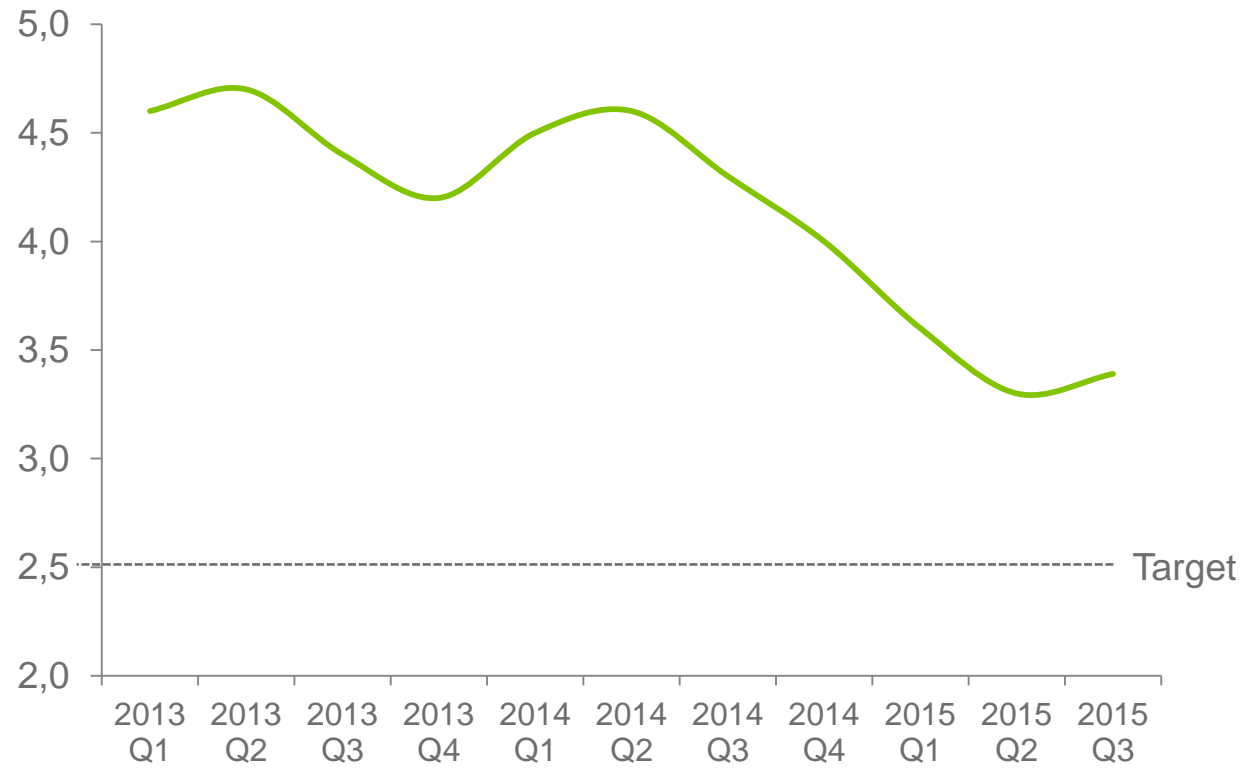


1) Operating profit, adjusted before depreciation and amortization less capital expenditures as a percentage of operating profit, adjusted before depreciation and amortization.



Financial leverage

Net debt/EBITDA, x



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Q3 highlights

Strong sales growth and improved operating profit

- **Net sales** for the quarter increased by 12.0 per cent to SEK 1,459m (1,303), including a positive impact from foreign exchange rates of 1.2 per cent.
- **Operating profit** increased to SEK 212m (178).
- **Cash flow from operating activities** increased by SEK 99m to SEK 174m (75).
- **Net debt/EBITDA** was 3.39x (4.30).
- **On 17 July 2015 Cloetta acquired Locawo B.V. (Lonka)** – a Dutch company that produces and sells fudge, nougat and chocolate. Lonka had net sales of approximately SEK 300m in 2014.




Overall market and sales development

Sales growth of 12 per cent

- Positive total market developments, except in the Netherlands and Italy
- Organic growth 4.2 per cent for the quarter
- Sales grew in all markets except Finland, Norway and Italy.
- Positive sales trend in Sweden driven by Pick & Mix and in Denmark by pastilles. Positive trend in the Netherlands and Germany in candy bags.
- In Norway, sales of pastilles declined and in Finland sales of candy bags declined.
- Contract negotiations with one large customer that affected sales have now been finalized.

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 Cloetta's main markets

Net sales and EBIT

SEKm	Jul-Sep 2015	Margin %	Change %	Jul-Sep 2014	Margin %
Net sales	1,459		12.0 ¹⁾	1,303	
Adjusted operating profit ²⁾	194	13.3	0.5	193	14.8
Operating profit (EBIT)	212	14.5	19.1	178	13.7
Profit for the period	130		49.4	87	

1) Organic growth at constant exchange rates and comparable units 4.2% for the quarter and 3.0% for the first three quarters of the year.

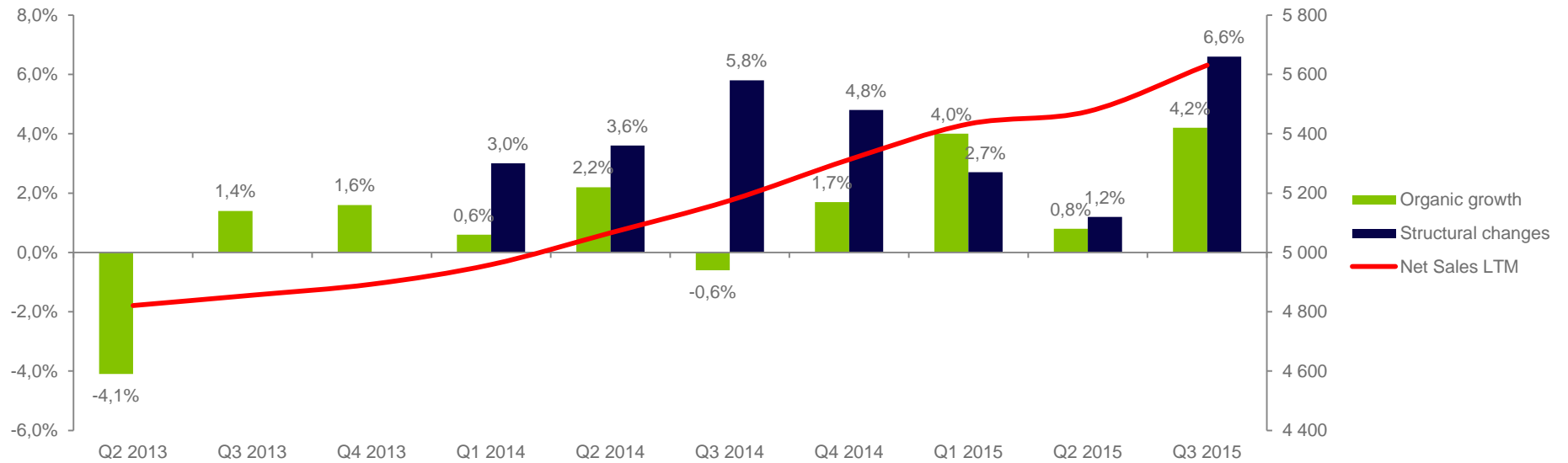
2) Operating profit, adjusted for one-off items.

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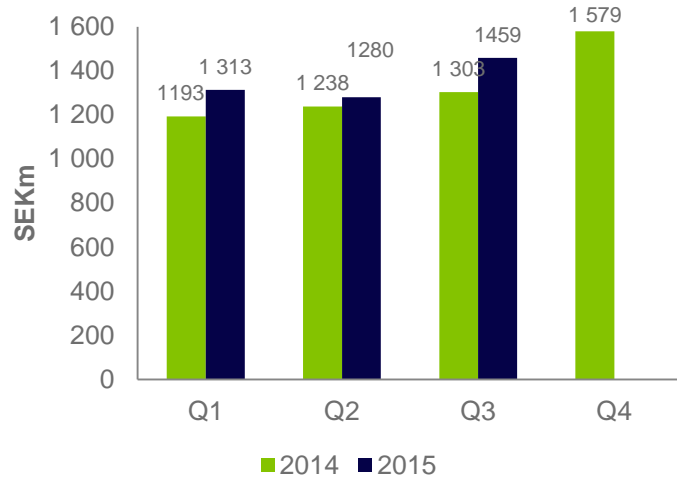
Changes in net sales

Changes in net sales, %	Jul-Sep 2015	Jan-Sep 2015
Organic growth	4.2	3.0
Structural changes	6.6	3.6
Changes in exchange rates	1.2	1.9
Total	12.0	8.5

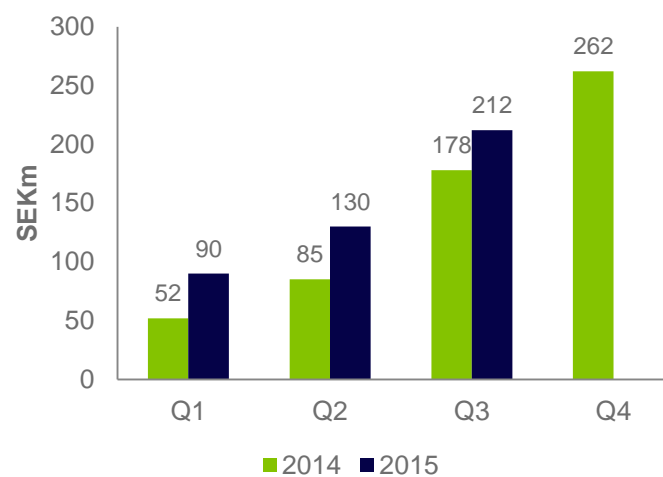


Net sales, Operating profit (EBIT) and Operating profit, adjusted

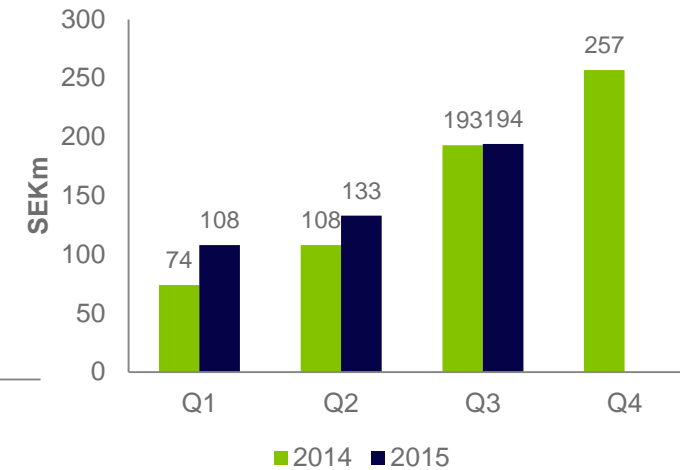
Net sales



Operating profit (EBIT)



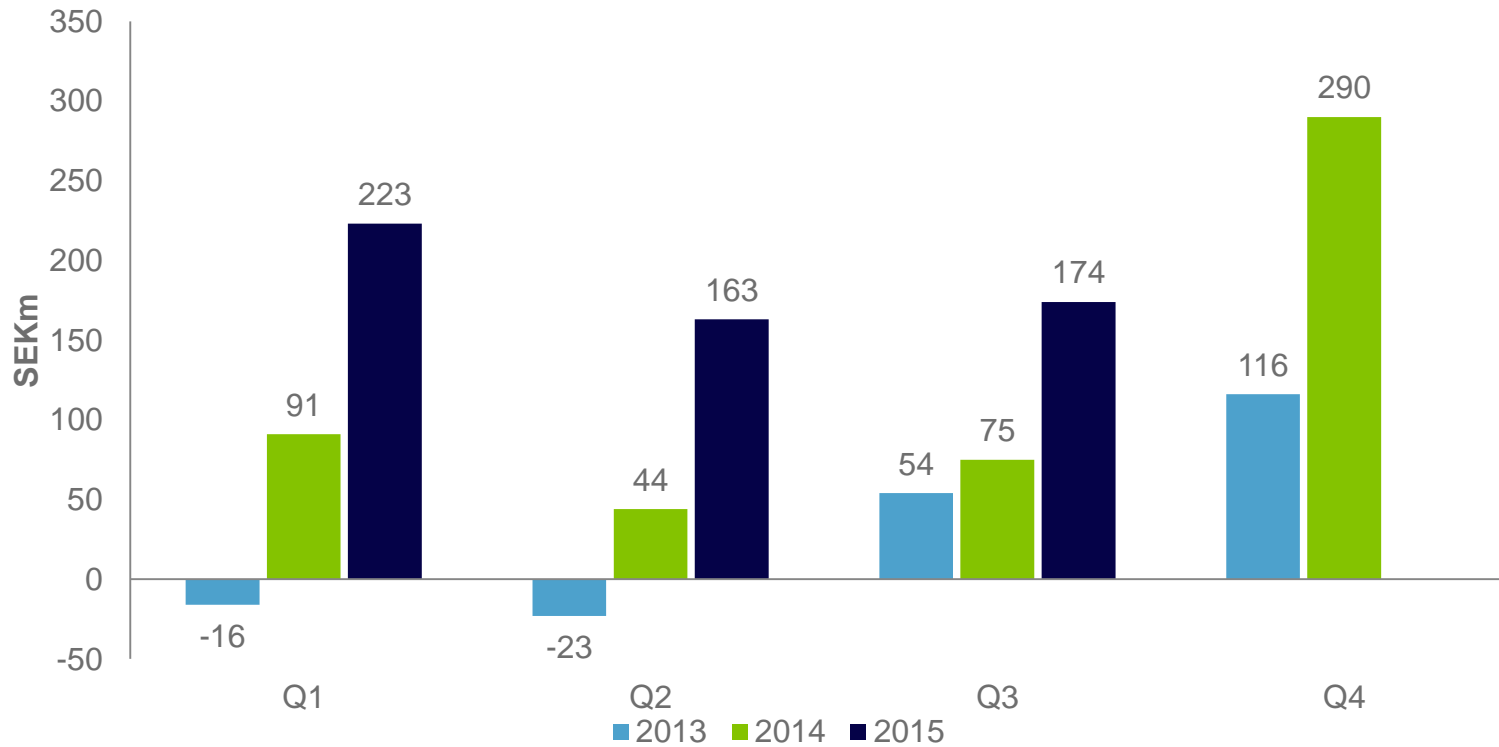
Operating profit, adjusted



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Cash flow from operating activities



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Cash Flow

SEKm	Jul-Sep 2015	Jul-Sep 2014
Cash flow from operating activities before changes in working capital	236	152
Cash flow from changes in working capital	-62	-77
Cash flow from operating activities	174	75
Cash flows from investments in property, plant and equipment and intangible assets	-30	-38
Cash flow from other investing activities	-206	-13
Cash flow from investing activities	-236	-51
Cash flow from operating and investing activities	-62	24
Cash flow from financing activities	-28	-51
Cash flow for the period	-90	-27

Integration of Lonka according to plan

Will over time support Cloetta's margin target of 14% operating profit, adjusted

- Sales development and profitability according to plan in the quarter
- Joint sales and marketing organisation created in the Netherlands
- Plans for how to handle and launch Lonka in other markets under preparation
- Efforts to coordinate and integrate factories and working methods started

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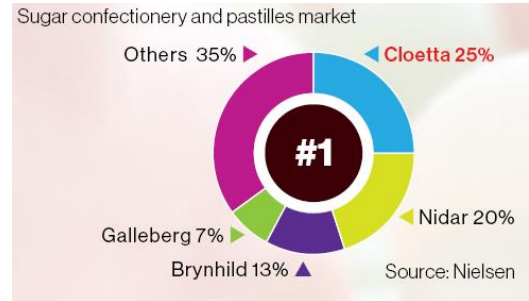
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Solid positions in key markets

Sweden



Norway



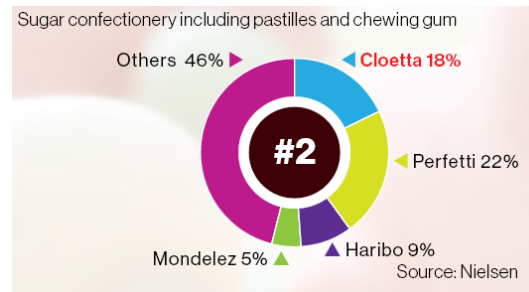
Finland



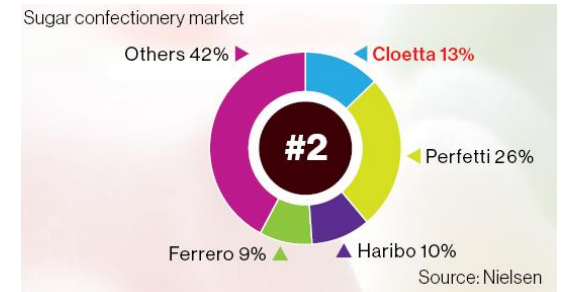
Denmark



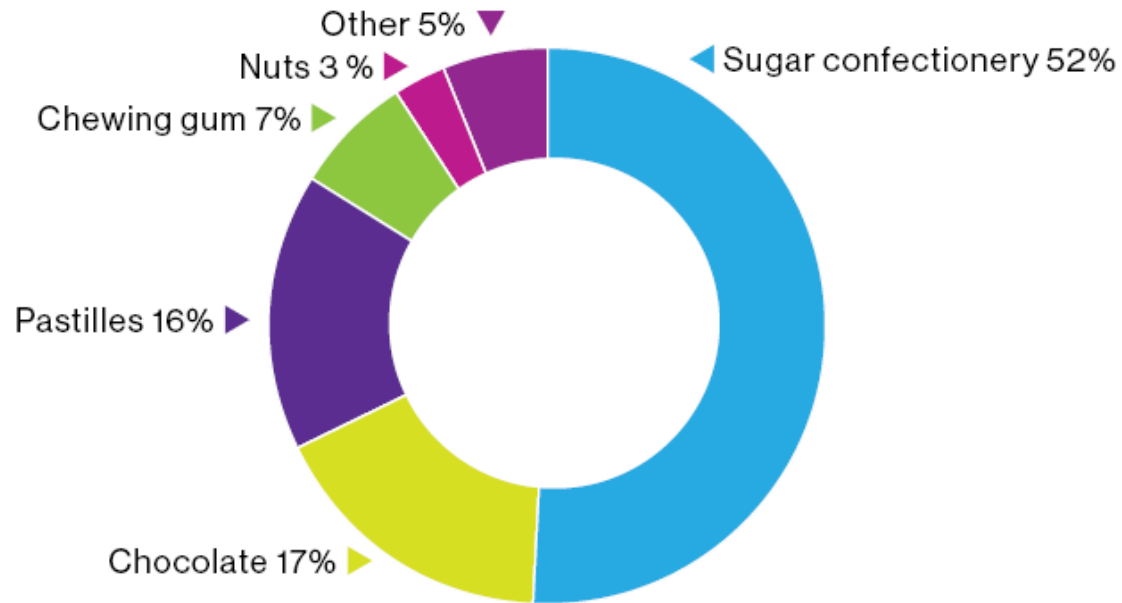
Netherlands



Italy

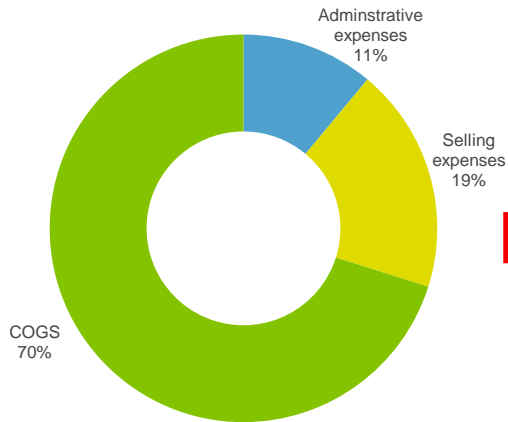


Net sales per category

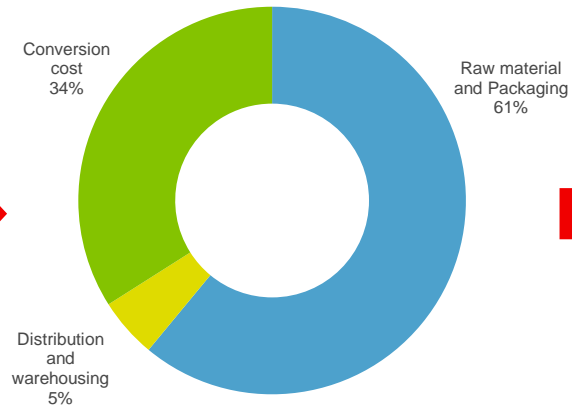


Cost structure

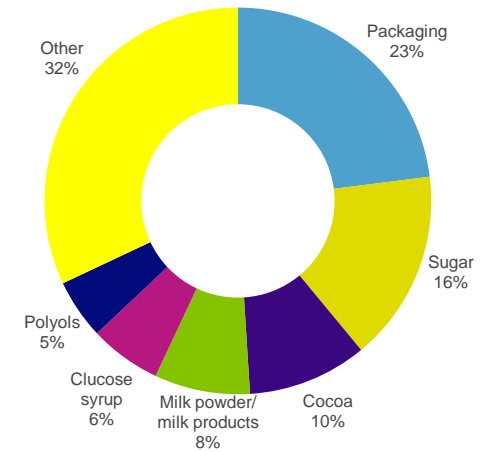
Total cost split 2014



COGS split 2014



Raw material split 2014



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