

Loetta

5 September 2018

Henri de Sauvage-Nolting, CEO

This is Cloetta

FOUNDED IN

1862

ANNUAL SALES

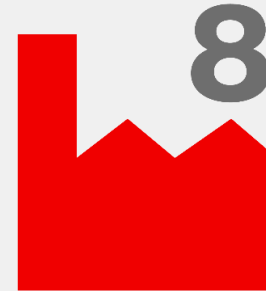
SEK
5.8

BILLION

SALES IN

50

COUNTRIES



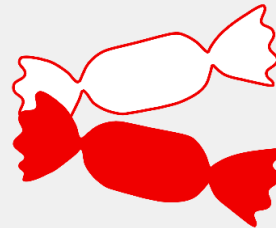
2.500
EMPLOYEES



NASDAQ
STOCKHOLM



LEADING
BRANDS



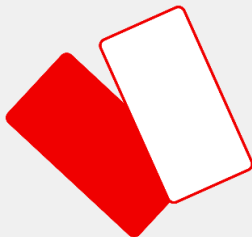
CANDY



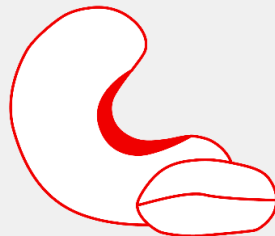
CHOCOLATE



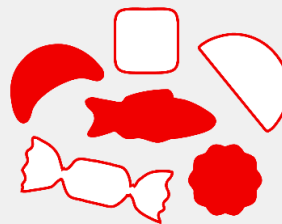
PASTILLES



CHEWING GUM



NUTS



PICK&MIX

**Munchy
Moments**

THIS IS
Cloetta

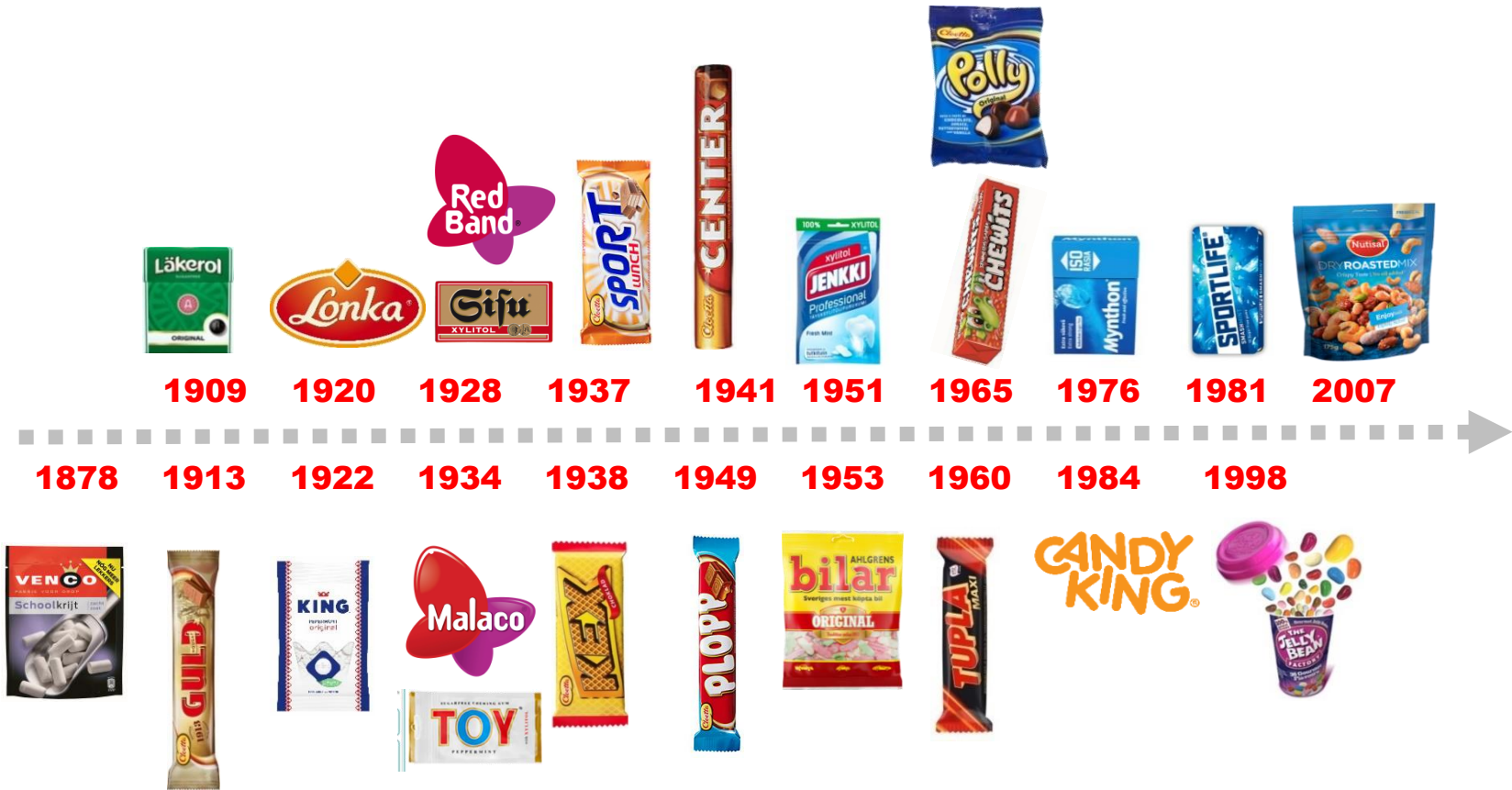
Cloetta

We bring a smile to your Munchy Moments



Cloetta

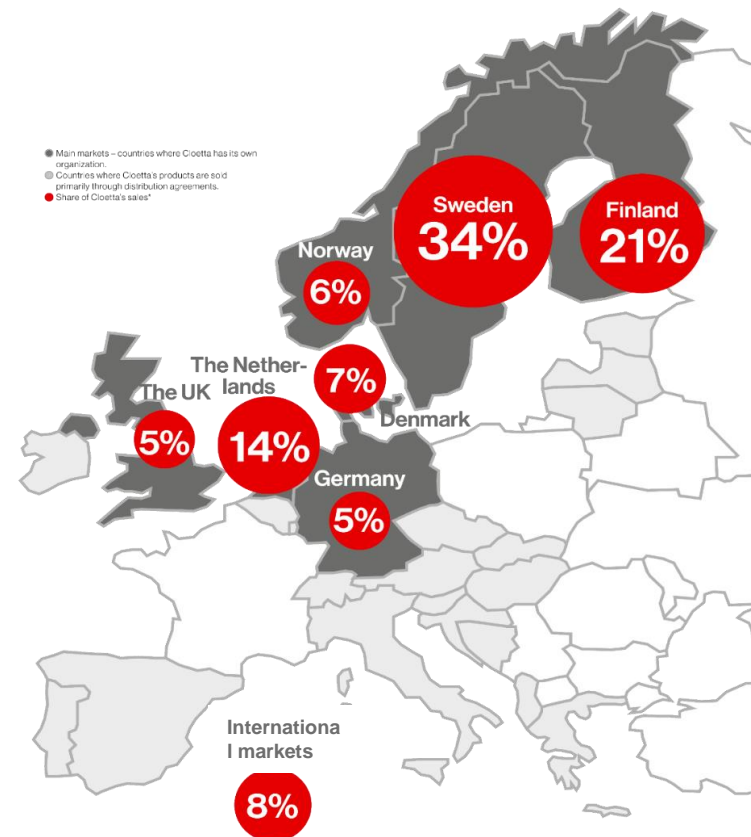
Strong portfolio of local heritage brands



Strong presence in the main markets



Cloetta can utilize “regional” scale versus local and global competition

- Main markets are Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK
- Export to more than 50 countries world wide
- Presence in many categories and channels with complete product portfolio
- Strong customer relations – strong commercial organisation in all main markets
- High category expertise – contributes to optimised and profitable sales
- Scale economies – presence in many categories and channels with complete product portfolio



Nordic market leader

Leading positions in several categories

Sweden		Candy, chocolate countlines, pastilles, chocolate bags and pick & mix
Finland		Candy, pastilles, chewing gum and pick & mix
Norway		Candy, pastilles and pick & mix
Denmark		Candy, pastilles and pick & mix
Netherlands		Candy, chewing gum, pastilles
Germany		Niche positions in selected candy categories
United Kingdom		Pick & mix and niche positions in selected candy categories

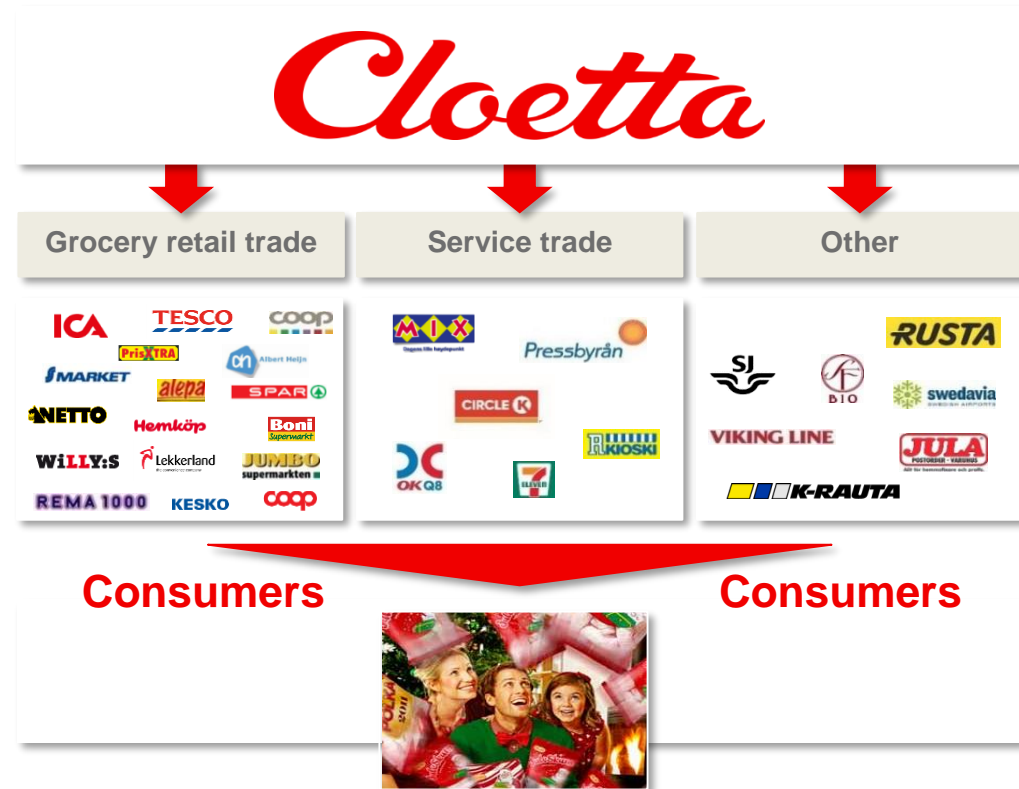
Best in class route-to-market

Customer relations

- Large and efficient sales organisation in all main markets
- 85% of sales by own sales force

Execution

- Category expertise drives sales optimization
- Listings and distribution agreements
- Ensure visibility on shelves and checkout lines
- Efficient implementation of campaigns



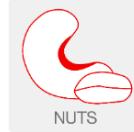
Cloetta's strengths

Local Brand loyalty, pick & mix scale and North West Europe core markets

Cloetta's Strategic Strengths

- Strong leading local brands
- Core markets in growing North Western Europe
- Strong European leader in pick & mix
- Scale benefits in North Western Europe vs local competition
- Route to market scale in core markets
- Locally tailored innovation

Categories



Format

Packaged Sales ¹	pick & mix	
✓	✓	58 %
✓	✓	17 %
✓	✗	12 %
✓	✗	7 %
✓	✓	4 %

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Cloetta's targets

The consumer is our **"boss"** and we are the customers **#1** partner

- ▶ Organic **Sales growth** – at least in line with market growth
- ▶ **EBIT margin**, adjusted – at least 14%
- ▶ **Net debt/EBITDA** ratio - 2,5x
- ▶ **Dividend** policy – 40-60% of profit after tax



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Cloetta's Strategic Plan

Driving growth

Consumer & Brands

- Bigger but fewer innovations
- Strengthen our local brands
- "Choice for You" – less sugar
- Sustainability in our brands

Customer & Market

- Preferred partner by the trade
- End to End Supply Chain
- Building brands in store
- Best pick & mix concepts
- Develop e-commerce concepts

New markets & concepts

- International market hubs
- A global The Jelly Bean Factory brand
- Build international capabilities

Cost efficiency

To invest in brands and increase EBIT

- Candyking integration
- Lean 2020 and insourcing
- Reduction in indirect costs
- Efficiency in marketing spend

Employees and organization

Capabilities for growth

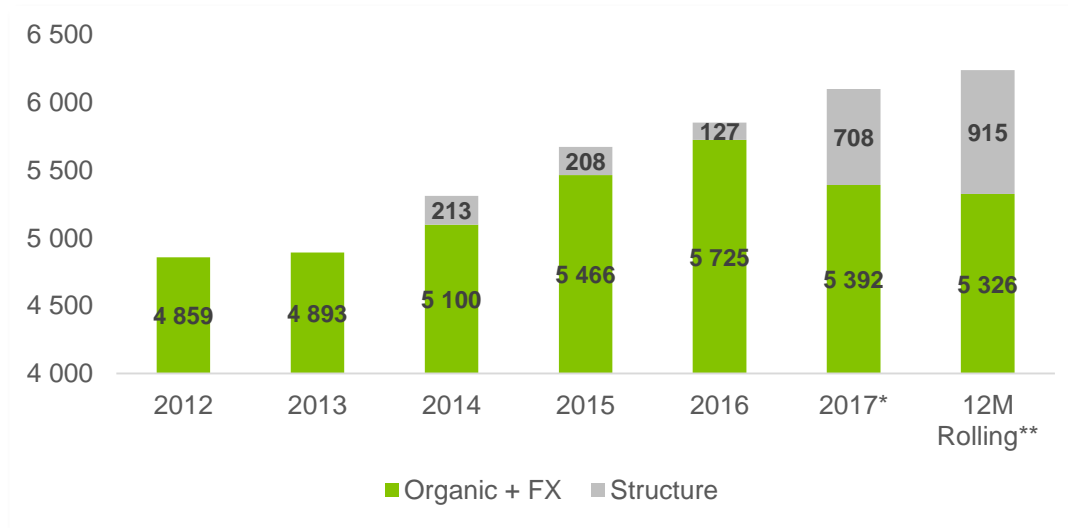
- Zero accidents
- A winning and performance culture
- ONE Cloetta
- Develop current and future leaders
- Marketing and sales capabilities



Sales development

Growth by acquisitions

SEKM

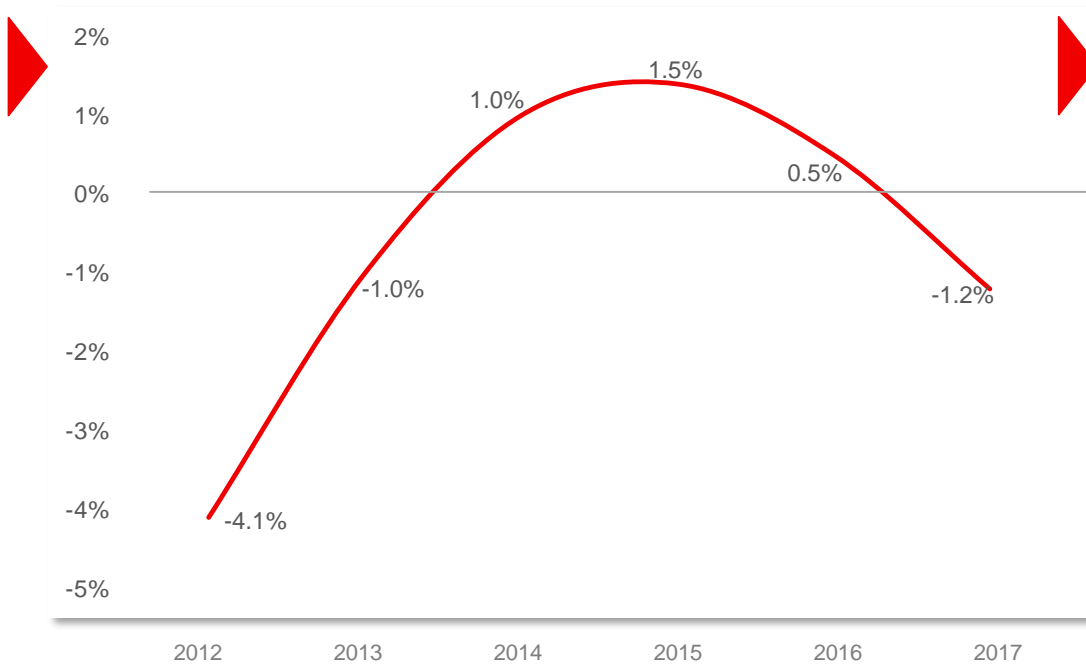


* In 2017 Cloetta Italy was divested and Candyking acquired

** Rolling 12 months: Jul 2017-Jun 2018, acquisition growth to April'18

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Organic sales development

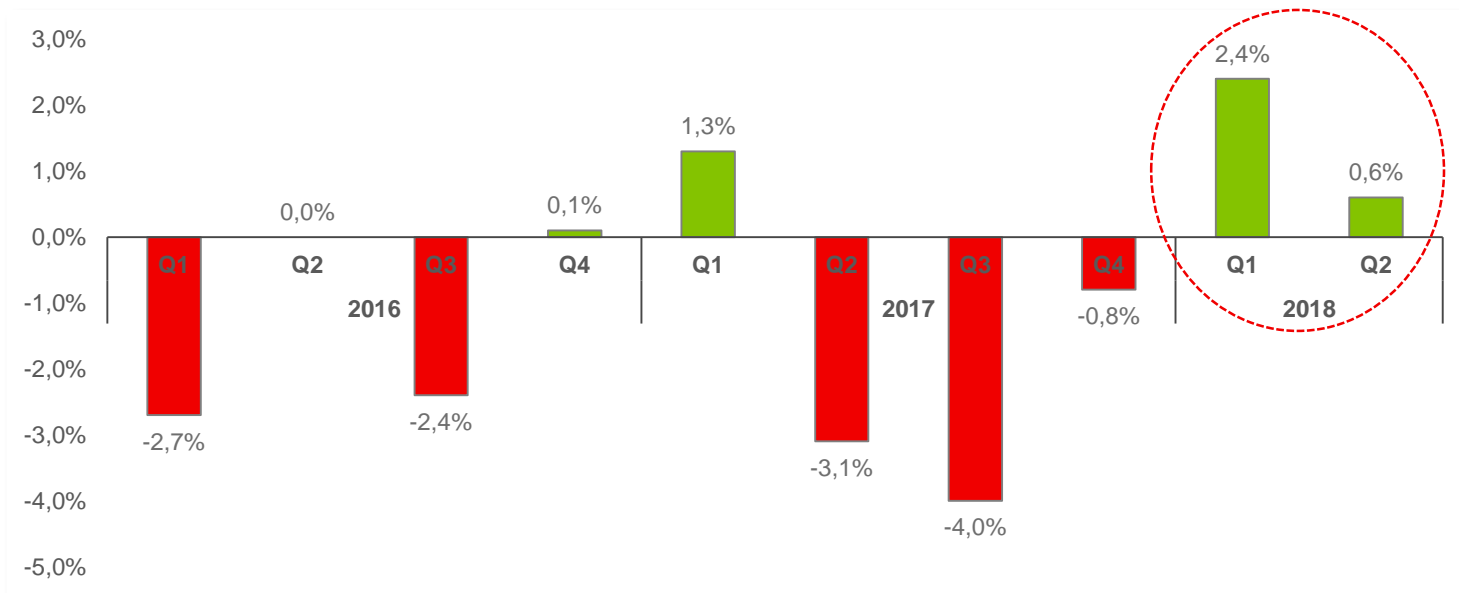


Target

- At least in line with long term market growth, which has historically been 1-2%

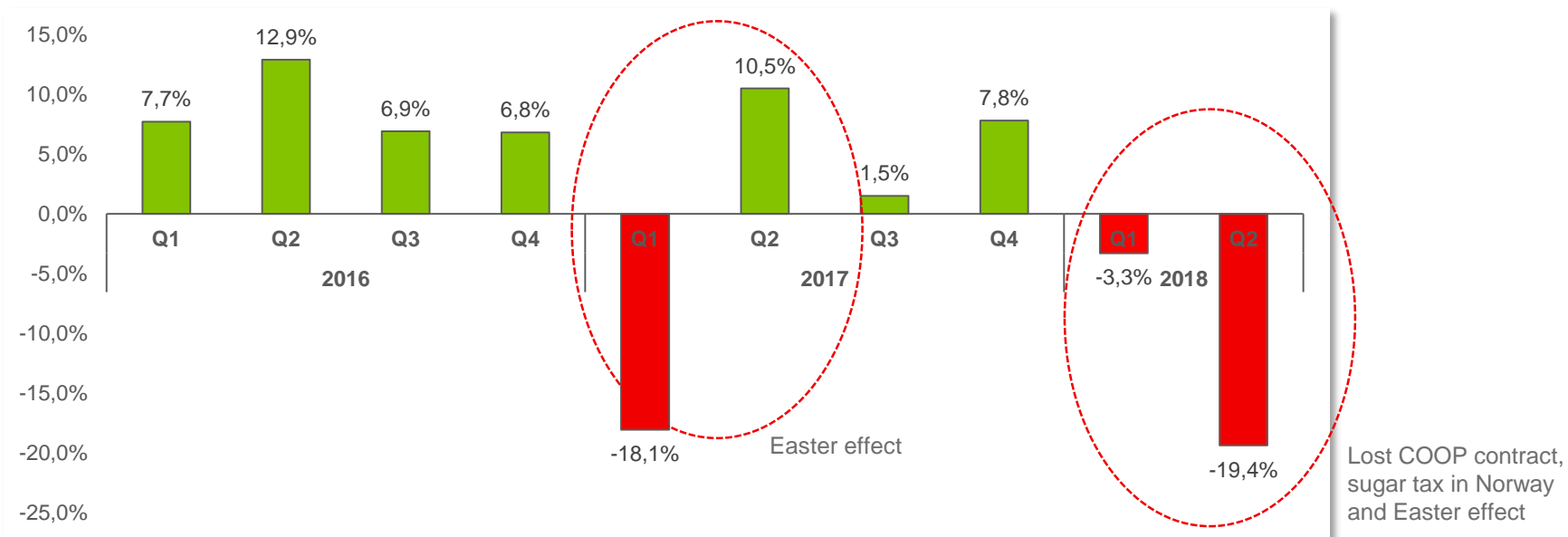
Sales development

Packaged / branded products 2016-2018

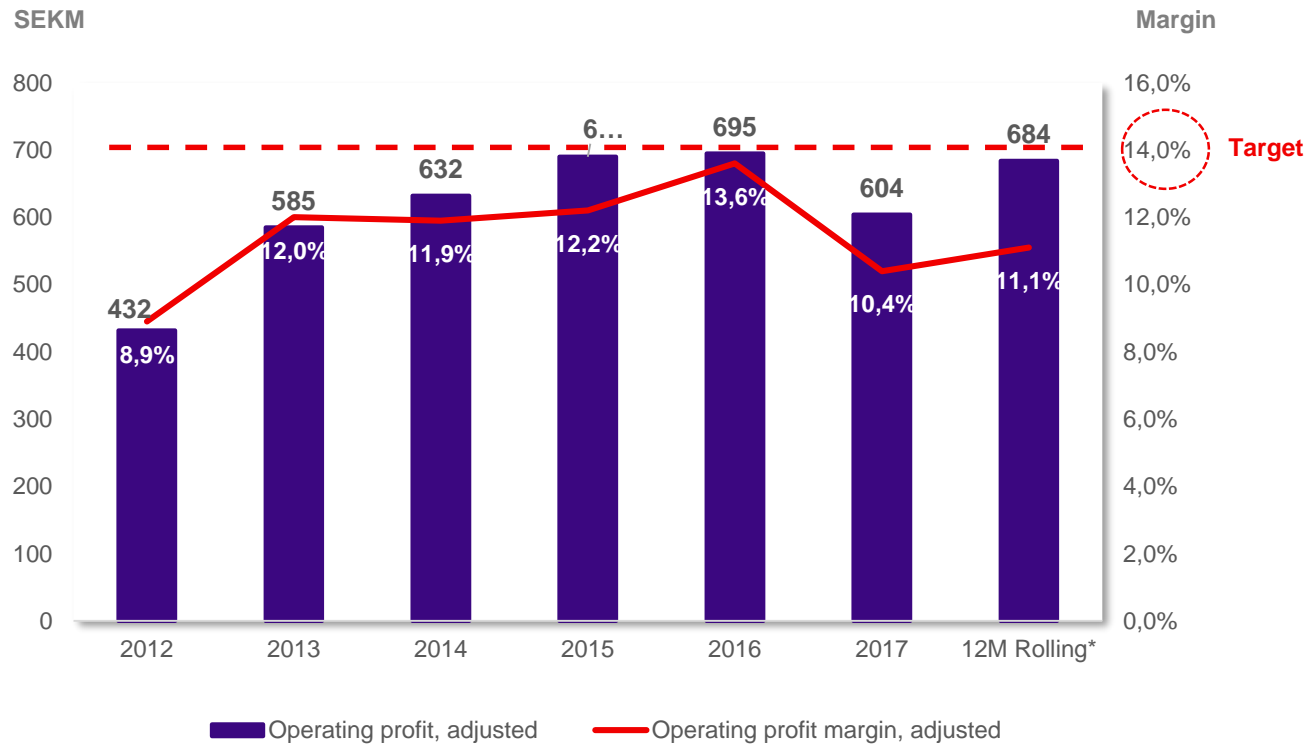


Sales development

Pick & Mix 2016-2018



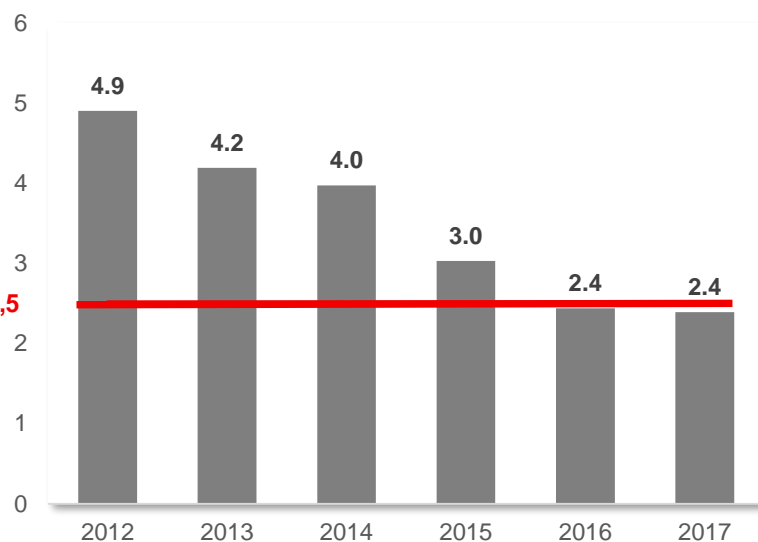
Adjusted operating profit and margin development



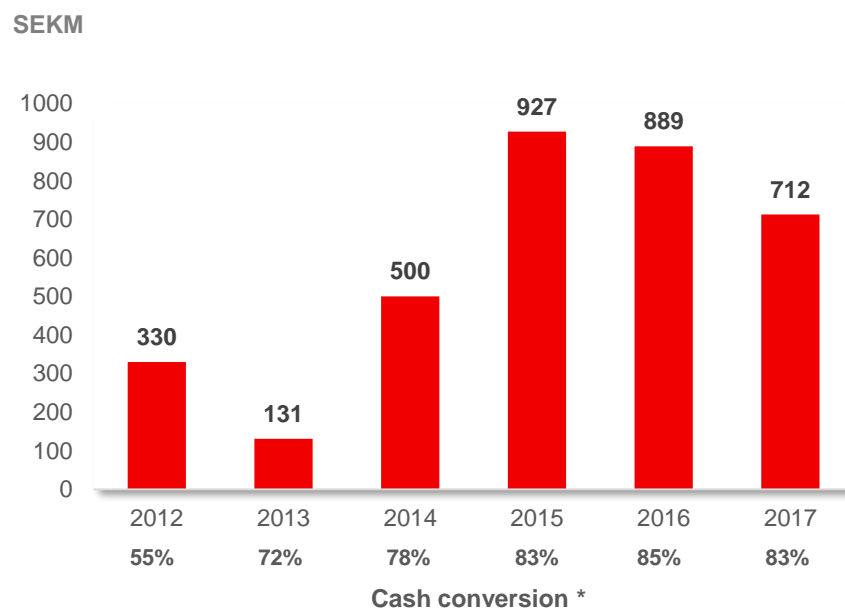
*Rolling 12 months: Jul 2017-Jun 2018

Debt ratio in line with target and stable cash flow

Net debt/EBITDA ratio, x

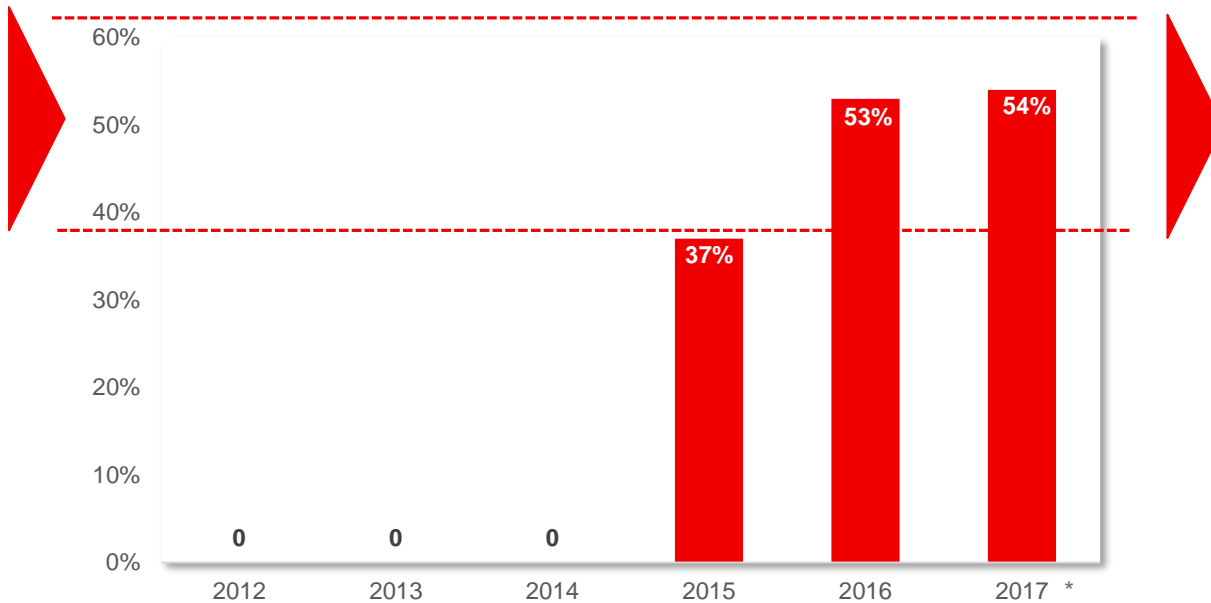


Cash flow from operating activities



* Operating profit, adjusted for items affecting comparability, before depreciation and amortization less capital expenditures as a percentage of operating profit, adjusted for items affecting comparability, before depreciation and amortization.

Dividend policy – historic development



Target

- Dividend payout of 40–60 per cent of profit for the period

* 2017 excluding special dividend

Six reasons to invest in Cloetta

1. Strong local brands
2. Strong market positions in the stable Northern and Western European markets
3. Strong market leader in pick & mix
4. Proven track record of bolt on acquisitions
5. Focus on continued margin expansion
6. Attractive cash flow generation and dividend



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Appendix 1

Q2 2018 report

Cloetta

Q2 highlights

Improved EBIT and growth in branded packaged products

- **Net sales** amounted to SEK 1,472m (1,414). Organic growth amounted to -4.9 per cent
- **Operating profit, adjusted** amounted to SEK 145m (115)
- **Operating profit** amounted to SEK 155m (90)
- **Profit for the period** amounted to SEK 97m (-329)
- **Cash flow** from operating activities amounted to SEK 119m (117)
- **Net debt/EBITDA** was 2.77 (2.77)



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Overall market and sales development

Market declined - growth of branded packaged products

- The packaged confectionery market declined on all markets. Particularly weak market in May. Pick & mix market declined substantially
- Organic growth was -4.9 per cent, driven by pick & mix
- Branded packaged products grew by 0.6 per cent. Growth in almost all markets
- Total pick & mix declined by 19.4 per cent, of which Candyking accounted for one third. Isolated, Candyking decreased 12.1 per cent.
- Pick & mix decline driven by lost contract in Sweden, weak development in Norway and strong Easter comparator



Changes in net sales

%	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018
Organic growth	-4.9	-0.5	- 2.1
Structural changes	5.4	13,2	14.2
Changes in exchange rates	3.6	2.0	3.0
Total	4.1	15.8	15.1



Pick & mix sales development

Pick & mix break down *	Apr-Jun 2018	Jan-Jun 2018
Candyking	-12,1%	-6,6%
Pick & mix excl Candyking	-29,3%	-17,7%
Total Pick & mix	-19,4%	-11,1%
<i>Excl Candyking and lost contract in Sweden</i>	-7,3%	1,9%

* Disaggregation at constant exchange rates



Candyking

Integration in line with plan

- Cloetta's ERP system has been implemented in the Nordic Candyking units
- Many projects – including integration of ERP system in the UK – that still need to be finalized before integration is completed
- Insourcing activities progressing well and in line with plan
- Identified synergy saving of SEK 100m stands firm

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CANDY
KING®

Improved EBIT

Key ratios, SEKm	Apr-Jun 2018	Apr-Jun 2017	Change	Full year 2017
Net sales	1,472	1,414	58	5,784
Gross profit	559	519	40	2,106
- Gross margin, %	38,0	36,7	1.3-pts	36.4
Operating profit, adjusted	145	115	30	604
- Operating profit margin, adjusted, %	9.9	8.1	1.8-pts	10.4
Operating profit (EBIT)	155	90	65	527
- Operating profit margin (EBIT margin), %	10.5	6.4	4.1-pts	9.1
Net financial items	-27	-19	-8	-84
Profit before tax	128	71	57	443
Profit/loss for the period	97	-329	n/a	-97



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Cash flow

SEKm	Apr-Jun 2018	Apr-Jun* 2017	Full year** 2017
Cash flow from operating activities before changes in working capital	165	84	532
Cash flow from changes in working capital	-46	33	180
Cash flow from operating activities	119	117	712
Cash flow from investments in property, plant, equipment and intangible assets	-51	-39	-157
Cash flow from other investing activities	0	-244	135
Cash flow from investing activities	-51	-283	-22
Cash flow from operating and investing activities	68	-166	690
Cash flow from financing activities	-661	45	-238
Cash flow for the period	-593	-121	452

*Including Cloetta Italy that was divested in 2017. **Including Cloetta Italy until divestment 5 September 2017.

Focus

Get business fundamentals right



Grow the base to mitigate lost pick & mix contract in Sweden and tax impact Norway



Cost and gross margin improvement including pricing to mitigate FX



Candyking integration - implementation of ERP system in the UK and insourcing



Drive Lean and improve new line in Turnhout to create capacity in factory network

Launch of less sugar products

- **Malaco Gott & Blandat** 30% less sugar, will be launched this autumn
 - Same nice taste as the original
 - The sugar is replaced by Inulin, a natural dietary fiber extracted from chicory root, and polydextrose, which originates from corn
- **Venco** is launched with sugar free options: sweet, salt and honey
 - Sweetened with Stevia, same rich taste consumers are used to



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Appendix 2

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Pick & mix concepts

- Wide range of products from several markets, factories and producers
- Concept in Finland since long, in Sweden since 2015
- 30% of confectionery market volume in Sweden
- 5-15% of market volume in other Nordic markets

Candyking

- Pick & mix market leader in Nordic countries and the UK
- Acquired in April 2017
- Strengthens Cloetta's position in Denmark, Norway and the UK
- Strengthens position within natural snacks – Parrot's brand
- Identified synergies expected to amount to SEK 100m in 2020



**CANDY
KING®**

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Cloetta's sustainability commitment

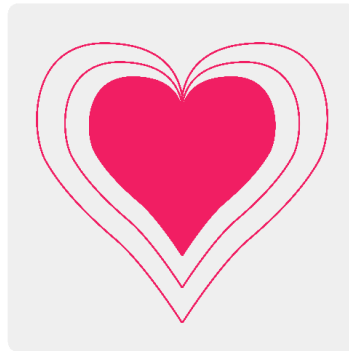
Cloetta's overall goal for corporate responsibility is to build sustainable long-term value.

For Cloetta, sustainable value is about growing as a company while at the same time ensuring that the people and environments that are affected by Cloetta's operations or products are positively impacted.



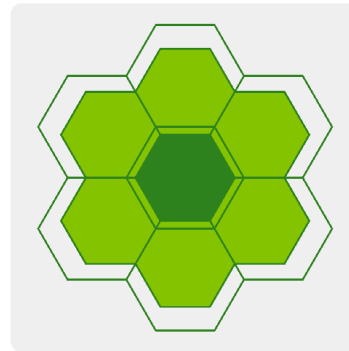
GREATER WELL-BEING EMPLOYEES

Employee well-being is guaranteed through **an attractive and safe working environment** in accordance with the UN Global Compact.



GREATER WELL-BEING CONSUMERS

Consumer well-being is ensured through **high and consistent quality and sustainable product development**, with a greater share of **natural raw materials** and **less sugar** or **sugar-free products**.



REDUCED ENVIRONMENTAL IMPACT

Environmental impact from Cloetta's factories to be reduced. Focus on **Energy, CO₂** and **Waste**.

More **environmentally friendly** and **sustainable packaging** to be developed.



SUSTAINABLE SOURCING

Cloetta complies with the ten principles of the **UN Global Compact**.

Key suppliers to be approved from a sustainability perspective. Sustainability programmes are in place for **prioritized raw materials** from developing countries.

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Cloetta's sustainability achievements

- Sustainability programs developed for **cocoa, palm and shea butter**
- Chocolate products are **UTZ-certified**
- **Palm oil is being removed** from all glazing
- Sustainable shea butter introduced
- Artificial **colors and flavors** are phased out
- Products with **less sugar** or without sugar are launched
- **Lower CO₂ emissions** per tonne produced



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Acquisitions 2014- 2017

Lonka

- Strengthens Cloetta's position in the Netherlands
- Diversifies the product range into new categories and offered an entry into the Dutch chocolate market



The Jelly Bean Factory

- a **premium “gourmet”** brand
- Solid growth over recent years with an attractive EBIT-margin
- Strengthens Cloetta's position in the UK



Nutisal

- A step into a **new category** with an established nuts brand



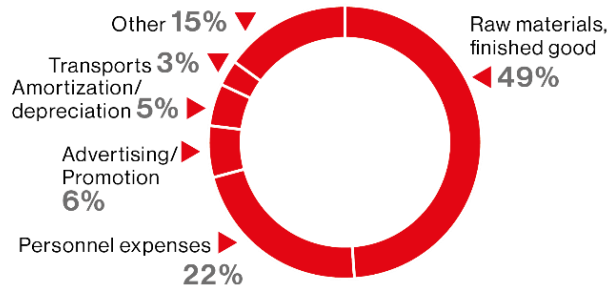
Candyking

- The acquisition significantly strengthens Cloetta's positions in the important pick & mix category in Sweden, Denmark, Norway and the UK
- Identified synergies of SEK 100m by 2020

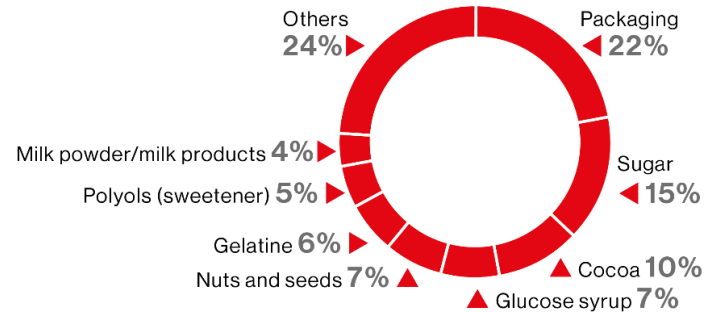


Cost structure 2017

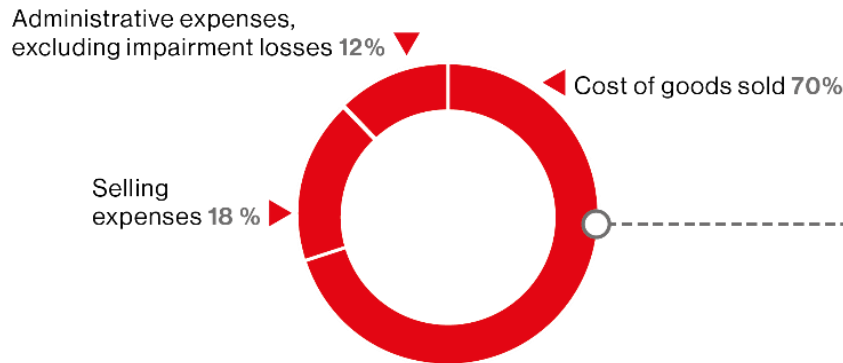
Operating expenses, excluding impairment losses



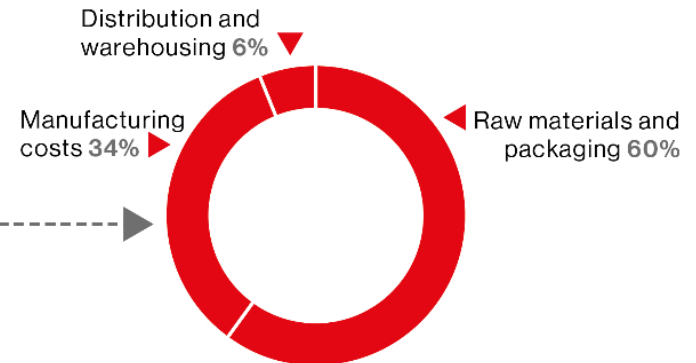
Breakdown of raw material and packaging costs



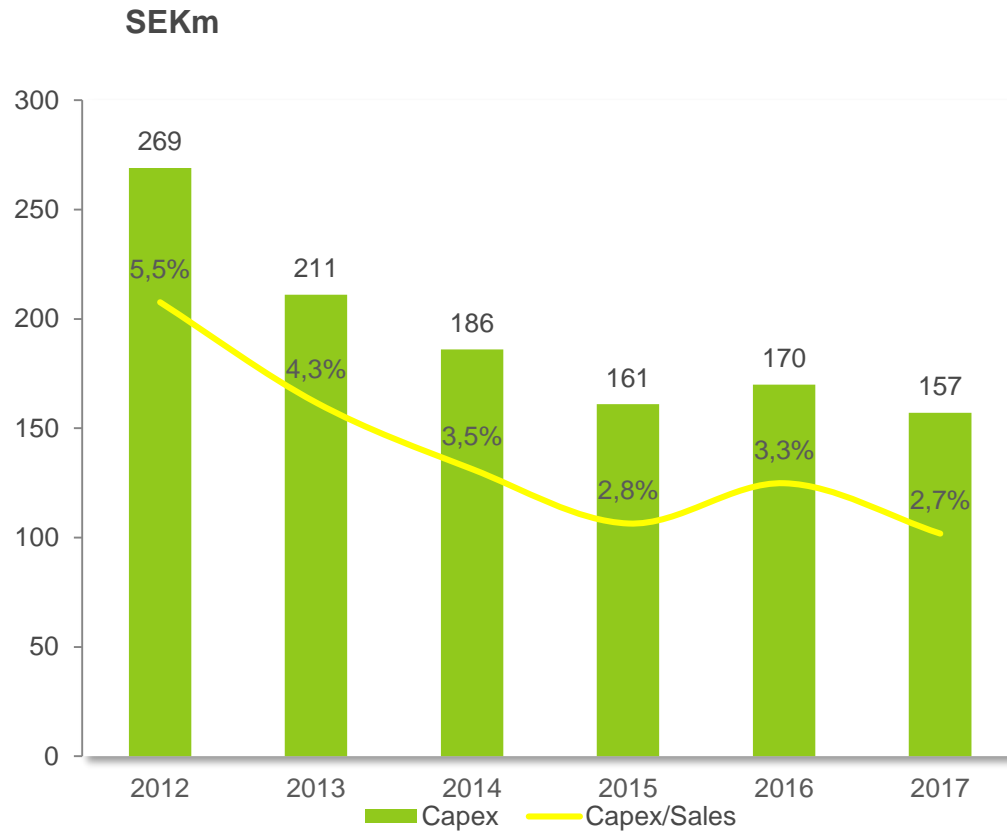
Total operating expenses, excluding impairment losses



Cost of goods sold



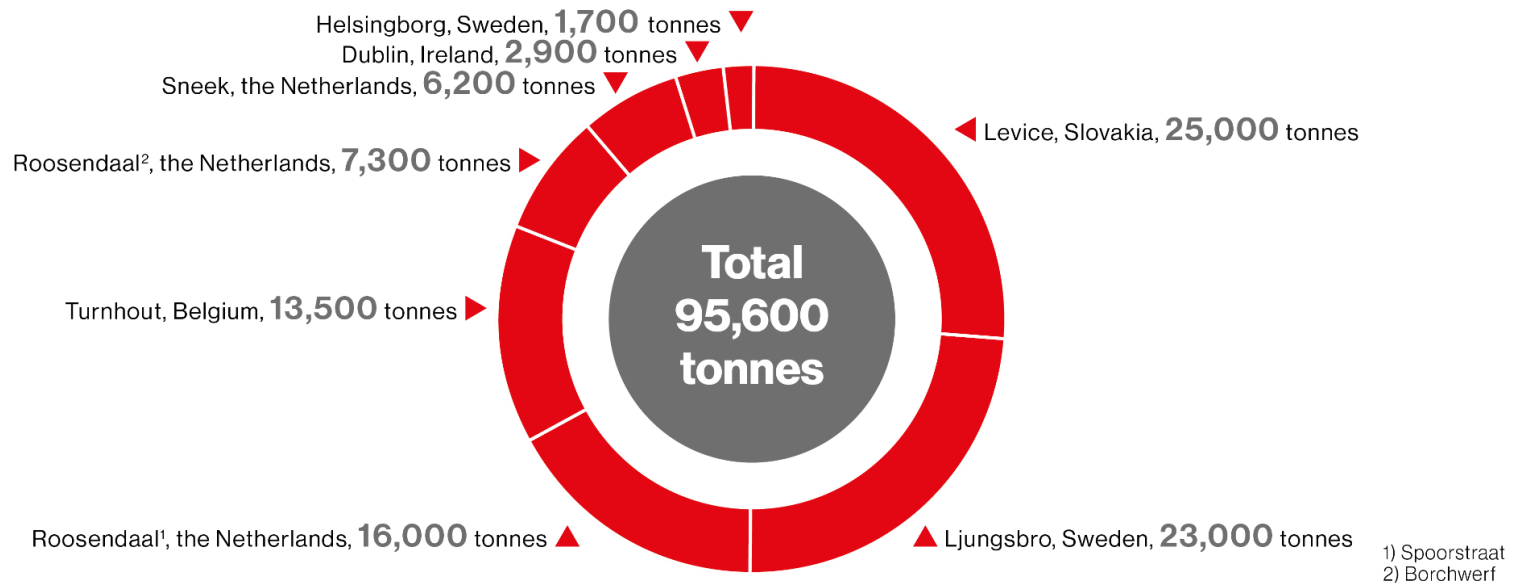
Capex



Target

- Capex should be around 3 per cent of net sales

Production by factory in 2017, tonnes



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