CLOETTA FAZER

Cloetta Fazer year-end report 2006

FOURTH QUARTER

Net sales rose 2 per cent to SEK 994 (973) million

The **prioritised brands** grew by 10 per cent

Operating profit amounted to SEK 135 (126) million, or SEK 136 (138) million excluding one-time items, equal to an **operating margin** of 13.7 (14.2) per cent

Earnings per share were SEK 4.29 (4.70)

FULL YEAR

Net sales reached SEK 3,074 (3,071) million

The prioritised brands grew by 6 per cent

Operating profit was SEK 346 (314) million, or SEK 353 (369) million excluding one-time items, equal to an **operating margin** of 11.5 (12.0) per cent

Profit after financial items was SEK 360 (333) million, or SEK 367 (388) million excluding one-time items

Profit after tax amounted to SEK 262 (246) million

Earnings per share were SEK 10.81 (10.19)

The board proposes a **dividend** of SEK 6.50 (6.00) per share

Q4

CEO'S COMMENTS

"Innovation is a critical driver for profitable growth. As the new CEO of Cloetta Fazer, I am pleased to note that the company launched more successful product innovations in the past year than ever before. Of the retail trade's total sales of new confectionery products in 2006, Cloetta Fazer's launches accounted for around 40 per cent in Finland and 28 per cent in Sweden.

All in all, sales of our twelve prioritised brands were up by 10 per cent in Finland and 1 per cent in Sweden. One of the year's most notable successes was the launch of new products under the Pantteri/Salta katten brand. In both Sweden and Finland these launches demonstrated the power of innovation and generated total volume growth of 40 per cent for the two brands. Cloetta Fazer has expanded its market shares in both Sweden and Finland.

However, a combination of robust sales growth for our major brands and a series of large-scale production transfers during the year caused some disruptions in production. With the major restructuring measures now behind us, we have now shifted our focus to optimising efficiency. Net profit for 2006 rose by SEK 16 million to SEK 262 million and operating profit by SEK 32 million to SEK 346 million. Operating profit excluding one-time items amounted to SEK 353 (369) million. The decrease is mainly attributable to profitability problems in Poland and higher production costs, together with accelerating competition and price pressure in our markets.

Although total sales in the non-Nordic export markets declined by 13 per cent due to a continued downward trend in Poland, our sales in the Baltic countries grew by 22 per cent in 2006. Exports to Norway and Denmark also showed favourable development during the year.

As of 2007 Cloetta Fazer has set up a local sales organisation in Russia to increase our visibility and profitability in that market.

Year-on-year cash flow decreased by an increase in working capital and investments. The strong cash flow in 2005 is largely explained by cash receipts attributable to operations in 2004.

The cornerstones of our business are motivated and dedicated employees, a commitment to extending and developing our brands, and an ambition to strengthen the partnership with our customers. We will continue focusing on our major brands and look forward to the launch of several exciting new products 2007."

SALES AND PROFIT IN 2006

Net sales reached SEK 3,074 (3,071) million. Excluding exchange differences on translation of foreign subsidiaries, net sales were SEK 3,069 million. Sales in the Nordic market rose 1 per cent to SEK 2,852 million, while non-Nordic sales fell 13 per cent to SEK 222 million.

Cloetta Fazer's long-term strategy to prioritise its popular and well known brands has been successful. Net sales of the twelve prioritised brands, the "Top 12", grew 6 per cent over the preceding year, rising 10 per cent in Finland and 1 per cent in Sweden. For the miscellaneous brands and pick-and-mix categories, net sales were down by 6 and 1 per cent, respectively. The Top 12 brands accounted for 54 per cent (51) of total net sales in 2006. Overall, net sales increased by 6 per cent in Finland but declined by 4 per cent in Sweden.

Karl Fazer, the largest individual brand, increased by 15 per cent, with product launches in 2005 and 2006 contributing to the brand's strong performance. In the sugar confectionery segment, Pantteri in Finland and its counterpart Salta katten in Sweden enjoyed robust sales growth. Net sales for these two brands rose more than 40 per cent during the year. Salta Katten was introduced on the Swedish market in August and was an instant hit. The product was originally offered as a liquorice wine gum and is now also available in a fruit jelly version.

The large-scale production transfers in 2006 led to disruptions, mainly for the Polly brand, which together with powerful demand for new products led to delivery problems in the Swedish market. These were also the main factors behind relatively low aggregate growth for the prioritised brands in Sweden.

Sales in Norway were up by 6 per cent and in Denmark by 9 per cent.

Non-Nordic sales fell due to a continued negative trend in the Polish market. In 2005 the Polish operations were restructured through the wind-up of production and adaptation of the sales organisation to a more limited product range. However, the implemented measures have not been sufficient and these operations are still showing a loss. In December 2006 Cloetta Fazer signed a reseller agreement with Premium Foods to take over sales in Poland with effect from 2007. In connection with this, Cloetta Fazer has wound up its own sales unit in Poland. Baltic sales account for a sizeable share of non-Nordic exports and developed well during the year. Sales in the Russian market, which are primarily concentrated in the St. Petersburg and Moscow areas, were on par with 2005. In the past year, sales and distribution were handled by a reseller but as of 2007 are conducted through a wholly-owned subsidiary in Russia where a new sales unit has been set up.

Operating profit was SEK 346 (314) million, including one-time items of SEK –7 million relating mainly to the Polish operations. The year-earlier figure included one-time items of SEK –55 million for restructuring of the Polish business and the plant closure in Norrköping. Operating profit excluding these items was SEK 353 (369) million, equal to an operating margin of 11.5 (12.0) per cent. The combined effects of production disruptions and numerous product launches drove up manufacturing costs during the year and measures to streamline production flows are under way. Earnings were also impacted by continued price pressure in the company's markets.

Year-on-year profit in the Nordic market dropped by SEK 4 million to SEK 375 million excluding restructuring charges.

In the non-Nordic markets, profit fell SEK 12 million from the year-earlier level to SEK –22 million excluding restructuring charges. Operations in Poland suffered continued losses in 2006 and generated an operating deficit of SEK 23 (16) million in addition to wind-up costs of SEK 5 (33) million. Profit was also charged with costs for the new sales organisation in Russia.

Profit after financial items was SEK 360 (333) million. Net financial items totalled SEK 14 million, compared with SEK 19 million the year before. Short-term investments and cash equivalents consist of various listed money market instruments. Rising market interest rates had negative valuation effects of SEK 5 million, mainly in the first half of the year. Adjusted for one-time items, profit after financial items was SEK 367 (388) million.

Profit after tax improved to SEK 262 (246) million, equal to earnings per share of SEK 10.81 (10.19). Excluding one-time items, earnings per share were SEK 11.03 (11.71). The year's tax expense was SEK 98 (87) million, equal to an effective tax rate of 27 (26) per cent.

FOURTH QUARTER 2006

Net sales rose 2 per cent to SEK 994 (973) million. Sales of the Top 12 brands were up by 10 per cent, while miscellaneous brands and pick-and-mix products decreased by 4 per cent. Sales on the Nordic market improved by SEK 21 million to SEK 925 million. Despite robust growth of 14 per cent for the Top 12 brands, sales in the Swedish market were down by 3 per cent due to weak performance for the miscellaneous brands and pick-and-mix segments. Total sales in Finland grew by 7 per cent and the Top 12 brands by 10 per cent. Sales in Norway were on a level with the previous year, while Danish sales improved sharply. Non-Nordic sales were unchanged at SEK 69 million.

Operating profit for the fourth quarter was SEK 135 (126) million. The same figure before one-time items was SEK 136 million, a year-on-year decrease of SEK 2 million. The drop in earnings can be blamed mainly on negative earnings in Poland, higher manufacturing costs and sustained price pressure. Operating margin was 13.7 per cent, compared with 14.2 per cent a year ago.

RESTRUCTURINGS

The Polish business weakened further in 2006 and the current level of sales is not adequate to obtain profitability. In December, Cloetta Fazer therefore signed a reseller agreement with the Polish distribution and marketing company Premium Foods which took over sales in Poland as of 1 January 2007. Parallel to this, Cloetta Fazer has wound up its own sales unit in Poland at an estimated cost of SEK 5 million.

Liquidation of the Polish subsidiary was started in 2005 but has been held up by an ongoing dispute regarding previously received start-up subsidies, which may be subject to repayment in an estimated amount of SEK 25 million. Because the legal situation is uncertain, this amount has been reported as a contingent liability.

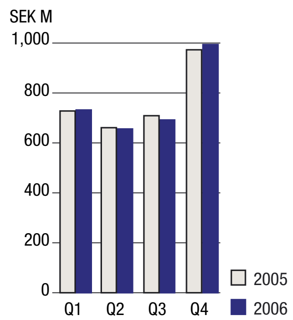
FINANCING AND LIQUIDITY

The Group's financial position is very strong. Cash, cash equivalents and short-term investments totalled SEK 1,241 (1,205) million. Cash flow from operating activities was SEK 324 (523) million, a decrease explained by a rise in working capital resulting partly from the now completed restructuring of production and a subsequent inventory build-up. The greatest impact was caused by increased accounts receivable. Net cash of SEK –144 (–90) million was utilised for investments

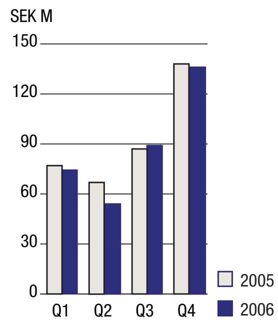
Our Top 12 brands

Karl Fazer	Kexchoklad	Dumle
Geisha	Polly	Center
Marianne	Tutti Frutti	Ässät
Pantteri/Salta katten	Plopp	Tyrkisk Peber

Net sales



Operating profit 1)



1) Excluding one-time items

in property, plant and equipment. Cash and cash equivalents and interest-bearing receivables exceeded interest-bearing liabilities by a net amount of SEK 1,148 (1,117) million. The equity/assets ratio at 31 December was 78 (77) per cent.

CAPITAL EXPENDITURE

Gross expenditure on property, plant and equipment was SEK 165 (122) million. Of the year's total investments, SEK 115 million was invested in the Finnish plants and SEK 50 million in the Swedish facilities and included both capacity enhancement and replacement investments on the existing production lines. Depreciation and amortisation amounted to SEK 123 (135) million.

EMPLOYEES

The average number of employees during the year was 1,600 (1,801). The change from 2005 is attributable to the closure of the Norrköping plant and wind-up of the Polish subsidiary.

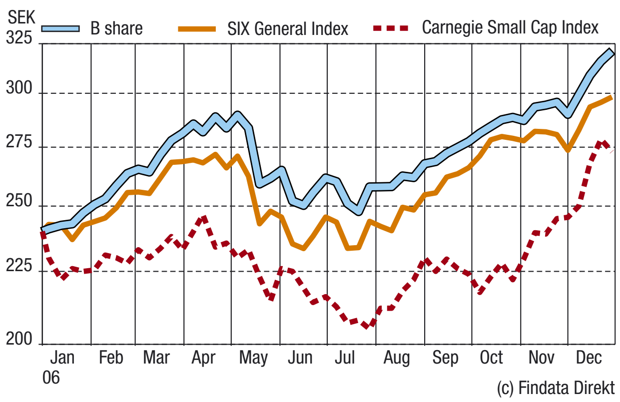
PARENT COMPANY

Net sales in the Parent Company are reported at SEK 62 (77) million and referred mainly to intra-group services and rents. Profit after financial items was SEK 115 (183) million. Net financial items amounted to SEK 151 (200) million and included SEK 131 (173) million in dividends from group companies. Cash and cash equivalents and short-term investments totalled SEK 1,136 (1,110) million.

SHARE DATA

Cloetta Fazer's B share has been quoted on the Stockholm Stock Exchange since 1994. A round lot consists of 50 shares. A total of 1,739,139 shares were traded during the period January–December 2006. The highest bid price was SEK 282 and the lowest was SEK 196. The price of the share on 31 December was SEK 273 (last price paid). The right to subscribe for shares under the warrants and options programmes issued in 2002 expired on 1 December 2006. The subscription rights were not exercised, since the subscription price has exceeded the listed price during the subscription period from 30 November 2005 to 1 December 2006.

Cloetta Fazer share price development, January 2006 – December 2006



SHAREHOLDERS

Cloetta Fazer had 3,734 shareholders at 31 December 2006. The principal shareholders and institutional investors held around 95.8 per cent of the votes and around 88.6 per cent of the share capital.

PROPOSED DIVIDEND

The Board proposes to the Annual General Meeting a dividend of SEK 6.50 (6.00) per share, amounting to a total of SEK 157 million. The proposed dividend is equal to 60 per cent of net profit. Cloetta Fazer's ambition is to maintain a consistent dividend level with a targeted dividend payout ratio of at least 40 per cent.

OUTLOOK FOR 2007

The Group's long-term goal over a three-year period is to grow by 25 per cent, of which 10 per cent organically. To meet these objectives it is vital to expand in the nearby geographical markets, where the Baltic countries, Russia, Norway and Denmark have high priority. Since consumption in the Baltics and Russia is well below the Nordic level, there is particular scope for organic growth in these markets. In addition, Cloetta Fazer continuously monitors potential acquisitions as a means for faster market growth.

Aggressive measures have been taken in recent years to streamline the production structure and reduce costs. Restructuring after the closure of the Norrköping plant has been more resource-intensive than anticipated, and successful new product launches have periodically competed for production resources in a less than optimal manner. In order to meet the planned efficiency targets, the company has stepped up its efforts to address the remaining problem areas.

The focus on twelve prioritised brands, all of which have strong market positions and profitability, has proven successful in fending off increasingly tough competition. Cloetta Fazer's offering and benefit to the retail trade and consumers is based on a combination of premium quality products and a stream of attractive product launches supported by effective marketing. The year's new products were enthusiastically received and sales of the Top 12 brands grew 6 per cent in 2006. In the coming year, a continued focus on the Top 12 and ongoing product innovations will create scope for sustained profitable growth.

ACCOUNTING PRINCIPLES AND OTHER INFORMATION

General

Cloetta Fazer complies with the International Financial Accounting Standards IFRS) and interpretations of these (IFRIC) that have been endorsed by the European Commission for application in the EU. This year-end report is presented in accordance with IAS 34, Interim Financial Reporting. The accounting and valuation standards applied in this report are the same as those used in the annual report for 2005. The estimates and assumptions applied by the board and management in preparation of the financial statements are evaluated on a regular basis.

Related party transactions

Sales of goods and services to companies in the Fazer Group made up 3.0 (2.7) per cent of total sales. Of other operating revenue (excluding capital gains), 14.8 (14.7) per cent referred to services sold to related parties. Purchases from related parties were negligible. Buying and selling of goods and services between closely related companies has been carried out at market-based prices. Transactions with these companies amounted to a net receivable of SEK 5 (8) million.

Stockholm, 9 February 2007

Cloetta Fazer AB (publ)
The Board of Directors

The information in this report has not been reviewed by the company's

Summary consolidated profit and loss accounts

SEK M	Fourth quarter 2006	2005	Full year 2006	2005
Net sales	**994**	973	**3,074**	3,071
Cost of goods sold	**–630**	–603	**–2,010**	–2,032
Gross profit	**364**	370	**1,064**	1,039
Other operating income	**10**	16	**52**	51
Selling and administrative expenses	**–239**	–256	**–762**	–772
Other operating expenses	**0**	–4	**–8**	–4
Operating profit	**135**	126	**346**	314
Financial items	**7**	4	**14**	19
Profit after financial items	**142**	130	**360**	333
Income tax expense	**–38**	–17 [4]	**–98**	–87
Profit for the period	**104**	113	**262**	246
Profit for the period attributable to:				
Equity holders of the Parent Company	**104**	113	**261**	245
Minority interest	**0**	0	**1**	1
Earnings per share before and after dilution [1] [2]	**4.29**	4.70	**10.81**	10.19
Number of shares at end of period [3]	**24,119,196**	24,119,196	**24,119,196**	24,119,196
Number of shares added upon exercise of outstanding options/warrants	**–**	168,200	**–**	168,200
Total number of shares after exercise of options/warrants	**24,119,196**	24,287,396	**24,119,196**	24,287,396

[1] Based on profit for the period attributable to equity holders of the Parent Company

[2] The exercise price per share for the outstanding options/warrants exceeded the average unit price during the respective period. The options/warrants programmes are therefore regarded as having no dilution effect and have been excluded in calculation of earnings per share.

[3] Which also corresponds to the average number of shares during the period.

Comparative information

Profit for the period includes the following one-time items affecting comparability between years:

Cost of goods sold				
Closure of Norrköping plant	**4**	–7	**–2**	–21
Wind-up of subsidiary in Poland	**–**	–	**–**	–14
Total cost of goods sold	**4**	–7	**–2**	–35
Selling and administrative expenses				
Closure of Norrköping plant	**–**	–1	**–**	–1
Wind-up of subsidiary in Poland	**–5**	–4	**–5**	–19
Total selling and administrative expenses	**–5**	–5	**–5**	–20
Effect on operating profit	**–1**	–12	**–7**	–55
Income tax expense	**0**	14 [4]	**2**	18
Effect on net profit	**–1**	2	**–5**	–37

[4] The tax effect of group contributions to the Polish subsidiary has been recognised in the fourth quarter.

Summary consolidated profit and loss accounts in Euro

EUR M	Fourth quarter **2006**	Fourth quarter 2005	Full year **2006**	Full year 2005
Net sales	**108.4**	103.3	**332.2**	330.9
Cost of goods sold	**–68.7**	–63.9	**–217.2**	–218.9
Gross profit	**39.7**	39.4	**115.0**	112.0
Other operating income	**1.0**	1.7	**5.6**	5.5
Selling and administrative expenses	**–26.0**	–27.2	**–82.3**	–83.2
Other operating expenses	**0.0**	–0.4	**–0.9**	–0.4
Operating profit	**14.7**	13.5	**37.4**	33.9
Financial items	**0.7**	0.4	**1.5**	2.0
Profit after financial items	**15.4**	13.9	**38.9**	35.9
Income tax expense	**–4.1**	–1.8	**–10.6**	–9.4
Profit for the period	**11.3**	12.1	**28.3**	26.5
Profit for the period attributable to:				
Equity holders of the Parent Company	**11.3**	12.1	**28.2**	26.4
Minority interest	**0.0**	0.0	**0.1**	0.1

Summary consolidated profit and loss accounts by segment

SEK M	Fourth quarter **2006**	Fourth quarter 2005	Full year **2006**	Full year 2005
Net sales				
Nordic countries	**925**	904	**2,852**	2,816
Other markets	**69**	69	**222**	255
Total net sales	**994**	973	**3,074**	3,071
Operating profit				
Nordic countries 1)	**149**	137 3)	**373**	357 3)
Other markets 2)	**–14**	–11 3)	**–27**	–43 3)
Total operating profit	**135**	126	**346**	314
1) Of which, one-time items	**4**	–8	**–2**	–22
2) Of which, one-time items	**–5**	–4	**–5**	–33
	–1	–12	**–7**	–55

3) Compared with the previous report, profit of SEK 15 million has been reallocated between the two segments.

Quarterly data

SEK M	Q1 2006	Q2 2006	Q3 2006	**Q4 2006**	**Full year 2006**	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Full year 2005
Net sales	732	656	692	**994**	**3,074**	728	661	709	973	3,071
Operating profit	68	54	89	**135**	**346**	66	44	78	126	314
Operating profit 1)	74	54	89	**136**	**353**	77	67	87	138	369
Operating margin, % 1)	10.2	8.2	12.9	**13.7**	**11.5**	10.6	10.0	12.4	14.2	12.0
Earnings per share, SEK 2)	2.09	1.79	2.64	**4.29**	**10.81**	1.93	1.22	2.34	4.70	10.19
Cash flow from operating activities	27	–57	46	**308**	**324**	152	24	67	280	523

1) Excluding one-time items
2) Based on profit for the period attributable to equity holders of the Parent Company

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Summary consolidated balance sheets

SEK M	31 Dec 2006	31 Dec 2005
Intangible assets	**248**	245
Tangible assets	**975**	975
Financial assets	**18**	20
Inventories	**303**	285
Current receivables	**430**	416
Short-term investments 1)	**375**	674
Cash and cash equivalents and short-term investments 1)	**866**	531
Total assets	**3,215**	3,146
Equity	**2,513**	2,427
Long-term liabilities	**297**	277
Current liabilities	**405**	442
Total equity and liabilities	**3,215**	3,146

Consolidated statement of changes in equity

SEK M	31 Dec 2006	31 Dec 2005
Equity at 1 January	**2,427**	2,292
Translation differences	**–31**	34
Profit for the period	**262**	246
Total changes in equity excl. transactions with the company's owners	**231**	280
Dividends	**–145**	–145
Equity at end of period	**2,513**	2,427
Minority interest in equity	**3**	2

Summary consolidated cash flow statements

	Fourth quarter		Full year	
SEK M	2006	2005	2006	2005
Cash flow from operating activities	**308**	280	**324**	523
Investing activities				
Investments in property, plant and equipment	**–24**	–5	**–144**	–90
Change in short-term investments	**175**	–292	**299**	126
Cash flow from investing activities	**151**	–297	**155**	36
Financing activities				
Change in interest-bearing liabilities	**0**	–12	**0**	–42
Dividends to shareholders including minority	**0**	0	**–145**	–145
Cash flow from financing activities	**0**	–12	**–145**	–187
Cash flow for the period	**459**	–29	**334**	372
Cash and cash equivalents at beginning of period	**407**	559	**531**	160
Translation difference in cash and cash equivalents	**0**	1	**1**	–1
Cash and cash equivalents at end of period 1)	**866**	531	**866**	531
1) **Cash, cash equivalents and short-term investments < 3 months**	**866**	531	**866**	531
Short-term investments > 3 months	**375**	674	**375**	674
	1,241	1,205	**1,241**	1,205

Key ratios

	2006	2005	2004
Profit after financial items, SEK M	**360**	333	396
Earnings per share, SEK	**10.81**	10.19	11.96
Earnings per share, SEK 1)	**11.03**	11.71	13.16
Operating margin, % 1)	**11.5**	12.0	13.8
Return on capital employed, % 1), 2)	**14.6**	15.7	18.6
Return on equity after tax, % 1), 2)	**10.8**	11.9	14.2
Net asset, SEK M	**1,148**	1,117	829
Equity/assets ratio, %	**78.1**	77.2	77.4
Equity per share, SEK	**104.10**	100.56	94.89
Average number of employees	**1,600**	1,801	1,981
Number of shares at end of period	**24,119,196**	24,119,196	24,119,196
Average number of shares during the period	**24,119,196**	24,119,196	24,100,472
Number of shares added upon exercise of outstanding options/warrants	**–**	168,200	188,200
Total number of shares after exercise of options/warrants	**24,119,196**	24,287,396	24,307,396

1) Excluding one-time items affecting comparability between years
2) Refers to rolling 12-month period

Key events in the fourth quarter

- Jesper Åberg was appointed Managing Director and CEO of Cloetta Fazer.
- Tom Lindblad was named Managing Director of the Finnish subsidiary Cloetta Fazer Confectionery Ltd.
- Fourth quarter profit excluding one-time items was SEK 136 (138) million.
- New distributor in the Polish market as of 2007.
- New subsidiary established in the Russian market.
- Sales of the Top 12 brands rose 10 per cent over the previous year.
- Cloetta Fazer's Christmas sales were successful in the main markets. In Sweden, sales of Juleskum holiday marshmallows reached an all-time high of 740 tonnes. The Christmas sales in Finland set a new record, with Cloetta Fazer's Present assorted chocolate box moving up to number one in the filled chocolates segment.
- Fourth quarter launches in Sweden included Kexchoklad covered in dark chocolate, Romerska Bågar mint, Bridge Mingle and Tyrkisk Peber Firewood.
- Pre-Christmas launches in Finland included the popular Karl Fazer filled chocolates, as well as Da Capo, Fazer Marmelad and Dumle in new package sizes.

The Cloetta Fazer Group is the Nordic region's leading confectionery company, with a market share of around 22 per cent. The company has production facilities in Sweden and Finland. Cloetta Fazer's strength lies in its many popular brands, such as Karl Fazer, Kexchoklad, Dumle, Geisha, Polly and Center. The average number of employees is around 1,600 and annual sales amount to approximately SEK 3 billion.

The Annual General Meeting 2007

The Annual General Meeting of Cloetta Fazer AB will be held at 3 pm on Tuesday, 24 April 2007, at City Conference Centre in Stockholm.

Financial calendar 2007

- Annual report 2006 – early April 2007
- Interim reports
  first quarter – 24 April 2007
  second quarter – 17 August 2007
  third quarter – 18 October 2007

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The annual report and interim reports are also published at

www.cloettafazer.com

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