

Press release

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Unchanged sales, higher manufacturing costs

For the second quarter, Cloetta Fazer reported sales of SEK 658 million (656) and an operating profit of SEK 33 million (54). Operating margin fell to 4.9 per cent (8.2).

“A combination of slower sales growth at the end of the second quarter and higher manufacturing costs are reflected in a year-on-year profit decrease,” says the company’s CEO Jesper Åberg. “Our business follows a seasonal pattern, where the first and fourth quarters are strongest in terms of sales and profit. Sales are also influenced by the weather and the heat wave in early June contributed to the downward trend. The cooler temperatures in July then triggered a sharp increase at the start of the third quarter.

“Our sugar confectionery range has shown impressive development. To boost capacity and efficiency, we have therefore decided to invest in a new production line in Finland.”

Sales in the first half of the year rose by SEK 10 million to SEK 1,398 million (1,388). Operating profit is reported at SEK 112 million (122). Operating margin was 8 per cent (9.2 per cent excluding one-time costs). Profit after tax was SEK 91 million (94).

Sales remained strong in Finland, with growth of 8 per cent during the period, but declined by 3 per cent in Sweden. Sales on the Baltic market continue to rise. The establishment of an in-house sales organisation in Russia led to increased sales in the first half of the year.

Raw material costs, mainly for cocoa and milk products, have risen over the past year.

“Our products are exposed to severe price pressure, much of which we have been able to overcome through efficiency gains like the transition to fewer and larger production units. Now we will be forced to raise our prices to offset rising raw material costs as these reach full impact in the second half of the year,” says Jesper Åberg.

About Cloetta Fazer

Cloetta Fazer 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 1,500 and annual sales in 2006 amounted to approximately SEK3 billion.

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