Interim report for the Cloetta Fazer Group January-June 2003

- Net sales reached MSEK 1,380 (1,379)
- Operating profit of MSEK 143 (155) and operating margin of 10.3 per cent (11.2)
- Profit after net financial items totalled MSEK 154 (160)
- Profit after tax was reported at MSEK 107 (112)
- Earnings per share amounted to SEK 4.45 (4.76)

Profit and sales

January - June 2003

The Cloetta Fazer Group's operating profit amounted to MSEK 143 (155), corresponding to an operating margin of 10.3 per cent (11.2).

Profit after net financial items was MSEK 154, down MSEK 6 from the year-earlier figure. The decrease compared with the preceding year is attributable to the second quarter. Net financial items for the period totalled MSEK 11, compared with MSEK 5 the year before.

Net profit after tax was MSEK 107 (112), corresponding to earnings per share of SEK 4.45 (4.76). Upon full conversion of outstanding convertible debentures, earnings per share would amount to SEK 4.43 (4.68).

Consolidated sales are reported at MSEK 1,380 (1,379). Sales on the Nordic market rose MSEK 17 to MSEK 1,227. Cloetta Fazer's key brands are continuing to perform well in Sweden and Finland. Sales of Kexchoklad in Sweden grew 7 per cent in volume during the period, and sales of Fazer Blå in Finland by 9 per cent.

Sales outside the Nordic region, where the Polish market accounts for a significant share, declined by MSEK 16 to MSEK 153. Adjusted for currency effects arising upon translation of foreign subsidiaries, sales were on a level with the previous year.

April – June 2003

Operating profit for the second quarter reached MSEK 51, which is MSEK 13 lower than in the same period of last year. The operating margin was 7.7 per cent, compared with 10.1 per cent in the previous year.

Sales increased by MSEK 24 to MSEK 661. On the Nordic market, sales rose by 5 per cent to MSEK 591. Sales on the two main markets, Sweden and Finland, showed strong development in relation to the other Nordic countries and grew over 5 per cent in volume. Other sales on the Nordic market, including Travel (sales on ferries and at airports) were down somewhat compared with the preceding year. Sales outside the Nordic region declined by 8 per cent to MSEK 70. The drop in sales is due to translation effects.

Through the expiry of forward contracts in the second quarter of 2003, the dramatic price surge for cocoa raw materials in the second half of 2002 has impacted our manufacturing expenses. Since year-end these prices have fallen back somewhat, which will mean lower expenses in a longer perspective.

Profit in Poland was adversely affected by lower volumes, but above all by intense price pressure and a weaker Polish currency.

Poland's accession to the EU next year will change conditions on the Polish market and provide scope for better coordination in production, sales and marketing. Efforts to adapt Cloetta Fazer's structure and organisation in preparation for this have been precipitated by the negative earnings trend in Poland.

Rolling 12-month trend

Operating profit for the period July 2002–June 2003 amounted to MSEK 382, up 3 per cent over the same period of 2001/2002. The operating margin was 12.4 per cent, unchanged from the preceding period. Sales rose 2 per cent to MSEK 3,086. The sales volume grew by 1 per cent.

Financing and liquidity

Cash, bank and short-term investments totalled MSEK 483 (397). The Group's cash flow from operating activities was MSEK 0 (78). Investments affected cash flow by a net amount of MSEK -103 (-47).

Liquid assets and interest-bearing receivables exceeded interest-bearing liabilities by a net amount of MSEK 379 (279).

The equity ratio per 30 June was 78 per cent (74).

Investments

Gross expenditure in plant and equipment amounted to MSEK 103 (55). Depreciation totalled MSEK 77 (77), of which MSEK 12 (13) referred to amortisation of goodwill and other intangible assets.

Investments during the second quarter amounted to MSEK 78, compared with the year-earlier figure of MSEK 28. Of this amount, MSEK 46 referred to the acquisition of land in Vantaa which was previously leased.

Planning of the new wafer line in Ljungsbro and filled chocolate manufacturing in Vantaa are proceeding according to plan and the new facilities are scheduled to go into operation next year. These investments are aimed at specialisation of the plants, and will both raise the production capacity and contribute to higher cost-efficiency.

Personnel

The average number of employees during the period was 2,020 (2,072).

Parent Company

The Parent Company's sales were reported at MSEK 37 (33) and referred mainly to intra-group services and rents. Profit after financial items amounted to MSEK 363 (197). Net financial items consisted mainly of dividends from subsidiaries. Cash, bank and short-term investments totalled MSEK 479 (382).

The Cloetta Fazer share

Cloetta Fazer's class B share is quoted on the Attract 40 list of the Stockholm Stock Exchange's O list. A round lot consists of 50 shares. The trading volume during the period January-June 2003 was 1,146,719 shares. The highest bid price paid was SEK 190 and the lowest was SEK 164. On 30 June the share was quoted at SEK 180.

The maximum dilution effect of the outstanding convertibles and subscribed options programme amounts to around 1.19 per cent of the share capital and 0.43 per cent of the votes.

Shareholders

Cloetta Fazer had 6,239 shareholders per 30 June 2003. The percentage of share held by the principal owners and institutional shareholders changed marginally compared with year-end and the preceding interim period.

Convertible debenture loan

A convertible debenture loan corresponding to 54,015 class B shares was converted during the period, increasing shareholders' equity by MSEK 7. The total number of shares thus amounted to 24,046,697, of which the number of class B shares was 19,386,697. Outstanding convertibles correspond to 72,545 class B shares.

Accounting principles and other disclosures

General

This interim report has been prepared according to the same principles applied in the most recent annual report. The new recommendations of the Swedish Financial Accounting as of 2003 have not had any effect on the Group's reported profit and financial position for earlier periods.

Segment reporting

The Swedish Financial Accounting Standards Council's recommendation RR 25, Segment reporting, will go into effect in 2003 and is to be applied in the preparation of complete financial reports. The interim report contains only segment-specific information about sales and profit by market. Complete data according to this recommendation is provided in the annual report.

The Group's primary segments are geographic markets.

The Nordic region comprises the Group's largest contiguous market. The emphasis is on sales in Sweden and Finland. Sales outside the Nordic region, which make up around 12 per cent of total sales, are reported as other markets. These refer primarily to Poland, the Baltic countries, Russia, the UK, Germany, the Czech Republic and the USA.

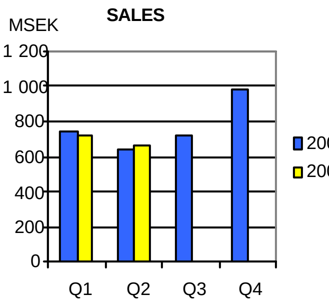
Related party disclosures

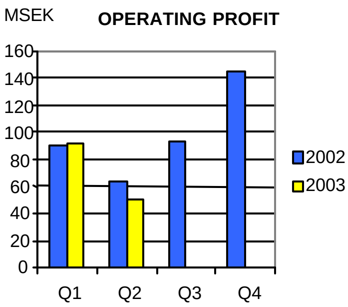
Sales of goods and services to companies in the Cloetta Fazer Group made up 2.7 per cent (4.1) of total sales. Intra-group purchasing was negligible. Sales to associated companies accounted for 3.2 per cent (3.8) of total sales. No purchasing took place. Buying and selling of goods and services between closely related companies has been carried out at market-based prices. Outstanding debts to these companies totalled MSEK 14 (16).

In connection with the merger of Cloetta and Fazer's confectionery operations in 2002, an agreement was signed with Oy Karl Fazer Ab for the acquisition of land previously leased and used by the Vantaa plant outside Helsinki. The acquisition was completed at the end of June, after which Cloetta Fazer owns both the land and buildings. The purchase price amounted to MSEK 46, which is based on an appraisal by two independent valuation institutes.

Financial calendar 2003

Interim report January-September: 17 October


SALES
MSEK
1 200
1 000
800
600
400
200
0
Q1
Q2
Q3
Q4
2002
2003


OPERATING PROFIT
MSEK
160
140
120
100
80
60
40
20
0
Q1
Q2
Q3
Q4
2002
2003

Summary consolidated profit and loss accounts

MSEK	2003 April-June	2002 April-June	2003 Jan-June	2002 Jan-June	July 2002-June 2003	2002 full year
Net sales	**661**	637	**1,380**	1,379	3,086	**3,085**
Cost of goods sold	**-435**	-408	**-887**	-885	-1,992	**-1,990**
Gross profit	**226**	229	**493**	494	1,094	**1,095**
Selling and administration costs	**-187**	-181	**-377**	-371	-761	**-755**
Share in profit of associated companies before tax	**-3**	-1	**-1**	2	5	**8**
Other operating income	**15**	19	**28**	34	47	**53**
Other operating expenses	**-**	-2	**-**	-4	-3	**-7**
Operating profit	**51**	64	**143**	155	382	**394**
Financial items	**5**	3	**11**	5	17	**11**
Profit after financial items	**56**	67	**154**	160	399	**405**
Tax	**-18**	-21	**-47**	-47	-122	**-122**
Minority share in profit for the period	**0**	-1	**0**	-1	0	**-1**
Net profit for the period	**38**	45	**107**	112	277	**282**

Earnings per share

SEK	2003 April-June	2002 April-June	2003 Jan-June	2002 Jan-June	July 2002-June 2003	2002 full year
Earnings per share before dilution	**1.60**	1.93	**4.45**	4.76	11.57	**11.88**
Earnings per share after dilution [1)]	**1.60**	1.92	**4.43**	4.68	11.49	**11.74**

1) The dilution effect of the options programme is negligible with regard to the present value of the subscription/exercise price and the average share price during the period.

Summary consolidated profit and loss accounts, by segment

MSEK	2003 April-June	2002 April-June	2003 Jan-June	2002 Jan-June	July 2002-June 2003	2002 full year
Net sales						
Nordic countries	**591**	561	**1,227**	1,210	2,729	**2,712**
Other markets	**70**	76	**153**	169	357	**373**
Total net sales	**661**	637	**1,380**	1,379	3,086	**3,085**
Operating profit						
Nordic countries	**55**	57	**146**	145	381	**380**
of which, share in profit of associated companies	***-3***	*-1*	***-1***	*2*	*5*	***8***
Other markets	**-4**	7	**-3**	10	1	**14**
Total operating profit	**51**	64	**143**	155	382	**394**

Quarterly data

MSEK	2003 Jan-March	2003 April-June	2002 Jan-March	2002 April-June	2002 July-Sept	2002 Oct-Dec	2002 full year
Net sales	719	**661**	742	637	721	985	**3,085**
Operating profit	92	**51**	91	64	94	145	**394**
Operating margin, %	12.8	**7.7**	12.3	10.1	13.0	14.7	**12.8**
Earnings per share	2.85	**1.60**	2.83	1.93	2.80	4.32	**11.88**
Cash flow from operating activities	39	**-39**	42	36	65	283	**426**

Summary consolidated balance sheets

MSEK	2003 30 June	2002 30 June	2002 31 Dec
Intangible assets	**264**	283	**277**
Tangible assets	**993**	983	**963**
Financial assets	**80**	81	**81**
Inventories	**357**	350	**285**
Current receivables	**387**	339	**397**
Cash, bank and short-term investments	**483**	397	**717**
Total assets	**2,564**	2,433	**2,720**
Shareholders' equity	**2,000**	1,811	**2,019**
Minority interests	**2**	2	**2**
Provisions	**273**	272	**291**
Long-term liabilities	**9**	42	**16**
Current liabilities	**280**	306	**392**
Total shareholders' equity and liabilities	**2,564**	2,433	**2,720**

Specification of shareholders' equity

MSEK	**2003 30 June**	2002 30 June	**2002 31 Dec**
Shareholders' equity on 1 January	**2,019**	1,823	**1,823**
Effect of changed accounting principle	**-**	-11	**-11**
Adjusted equity	**2,019**	1,812	**1,812**
Conversion of convertible debenture loan	**7**	41	**68**
Dividends	**-120**	-118	**-118**
Translation differences	**-13**	-36	**-25**
Net profit for the period	**107**	112	**282**
Shareholders' equity at end of period	**2,000**	1,811	**2,019**

Summary consolidated cash flow statements

MSEK	**2003 April-June**	2002 April-June	**2003 Jan-June**	2002 Jan-June	July 2002-June 2003	**2002 full year**
Cash flow from operating activities	**-39**	36	**0**	78	348	**426**
Investing activities						
Net investments in fixed assets	**-78**	-28	**-103**	-47	-159	**-103**
Cash flow from investing activities	**-78**	-28	**-103**	-47	-159	**-103**
Financing activities						
Change in interest-bearing liabilities	**5**	11	**-9**	11	19	**39**
Dividends to shareholders including minority shares	**-120**	-118	**-121**	-119	-121	**-119**
Cash flow from financing activities	**-115**	-107	**-130**	-108	-102	**-80**
The period's cash flow	**-232**	-99	**-233**	-77	87	**243**
Liquid assets at beginning of period	**715**	497	**717**	476	397	**476**
Translation difference pertaining to liquid assets	**-**	-1	**-1**	-2	-1	**-2**
Liquid assets at end of period	**483**	397	**483**	397	483	**717**

Key ratios

	2003 Jan-June	2002 Jan-June	**2002 full year**
Operating margin, %	**10.3**	11.2	**12.8**
Return on capital employed, % [1)]	**20.1**	20.2 [2)]	**20.2**
Return on shareholders' equity after tax, % [1)]	**14.5**	24.8	**14.8**
Return on shareholders' equity after tax, % [1)]	**14.5**	16.5 [2)]	**14.8**
Net receivable (+) / Net debt (-), MSEK	**379**	279	**594**
Equity ratio, %	**78.1**	74.4	**74.3**
Shareholders' equity per share, SEK	**83.20**	76.15	**84.15**
Average number of employees	**2,020**	2,072	**2,186**
Number of shares at end of period	**24,046,697**	23,779,117	**23,992,682**
Average number of shares during the period	**24,025,268**	23,571,482	**23,763,417**
Number of shares upon full conversion	**24,119,242**	24,119,263	**24,119,263**
Number of shares added upon exercise of outstanding options programme	**213,200**	213,200	**213,200**

1) refers to rolling 12-month
2) excluding items affecting comparability

Solna, 14 August 2003
Cloetta Fazer AB (publ)

Karsten Slotte
Managing Director and CEO

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The information in this report has not been examined by the company's auditors.

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