

Chocolate Market in Romania Report– 2003 - 2006

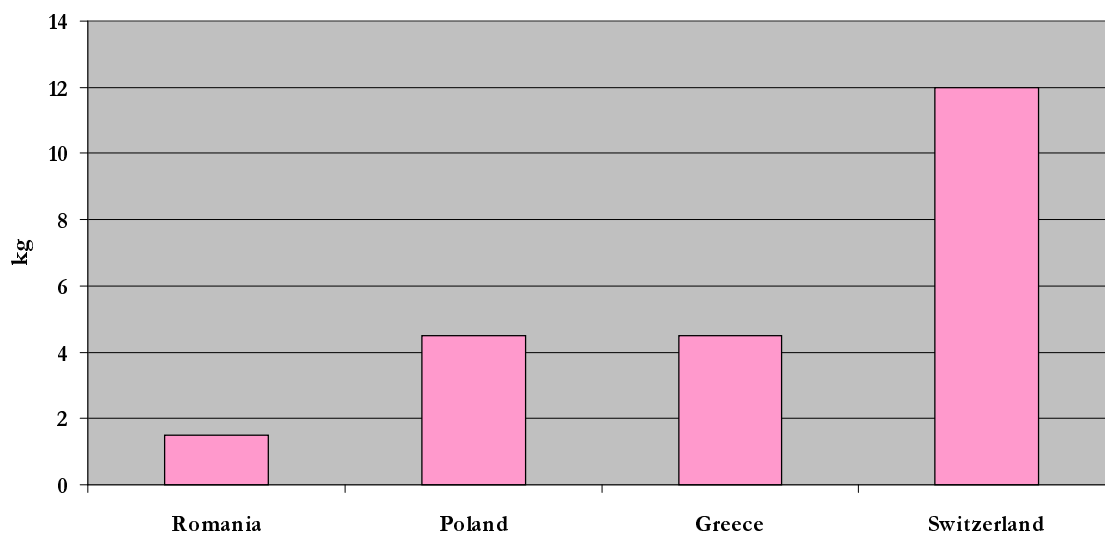
by FRD Center Romania (www.frdcenter.ro)

The Market:

The chocolate consumption in Romania has recorded a constant growth trend during the last 3 years, at the present being estimated at over 130 million Euro. In 2003 the annual chocolate consumption in Romania recorded the level of about 1 kg of chocolate per capita (an increase by about 23% compared to 2002) and at the present is of 1.5 kg of chocolate per capita. This level represents a much lower consumption per capita compared to other European countries (4.5 kg in Poland and Greece and 12 kg in Switzerland) but is foreseen to continue its growing trend in the following 3 – 5 years, due to various factors such as the increase of the purchasing power, the standard of living etc.

The chocolate consumption per capita in Romania compared to other European countries is presented in the below chart.

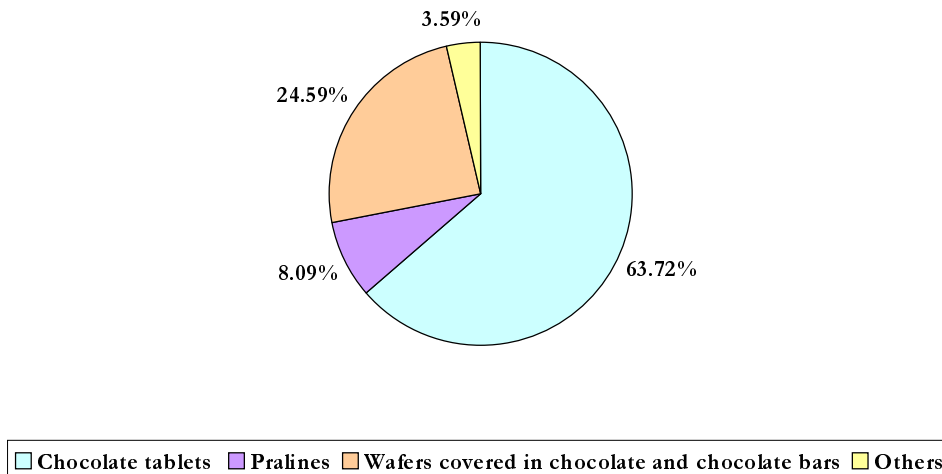
The chocolate consumption per capita



According to a survey conducted in Romania by ACNielsen, the chocolate ranks the sixth position in the total FMCG market, taking into account the sales recorded in 2005, after cigarettes, beer, soft drinks, mineral water and coffee.

The Romanian chocolate market is split between in the following categories: chocolate tablets, pralines, wafers covered in chocolate and chocolate bars, chocolate dragees and drops and seasonal products, especially chocolate products for the Christmas/Easter period. According to information published by ACNielsen, during the period January – November 2005, a chocolate volume of 23,487.40 thousand kg was sold on the Romanian market, of which 14,966.07 thousand kg of chocolate tablets, 1,901.12 thousand kg of pralines and 5,776.37 thousand kg of wafers covered in chocolate and chocolate bars.

The percentage of the product categories sold on the Romanian chocolate market, during the period January – November 2005



Source: ACNielsen

The premium segment of the chocolate market in Romania has a bigger growth potential than the medium-priced segment, as the market is driven by the increase of the purchasing power on the Romanian market. At the present the premium segment is estimated to be worth about 10% of the chocolate market.

The market of chocolate bars is split in three categories: premium, mainstream and low-end. According to the data provided by the main producers activating in this field, the market recorded an increase by over 30% in the last 2 - 3 years. In 2005 the market recorded an increase by 5.6%

compared to 2004. But the consumption of the chocolate bars remains lower compared to the one in the EU countries.

Regarding the importance of chocolate bar sales on distribution channels, the results of the ACNielsen study, during the period January – November 2005 are presented below.

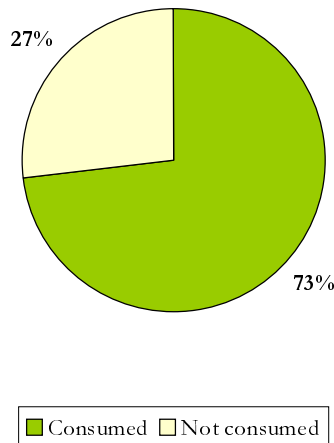
Distribution channel	Sales volume (%)	Sales value (%)
Hyper/Supermarket	20.47	23.94
Grocery (surface <20sqm)	21.84	19.53
Grocery (surface 21-40 sqm)	31.07	28.43
Grocery (surface >40 sqm)	20.35	21.10
Booth / sweet store	6.27	7.00

Source: ACNielsen

According to the data published by the Romania Ministry of Agriculture, Forests and Rural Development, in 2004 the imports of chocolate and chocolate products were over six times higher than the exports. According to the agencies of market monitoring, the domestic production covers 80% of the market. The domestic production decreased by about 15% in 2004 compared to 2003, reaching the level of 24,391 tonnes and the value of 58.5 million Euro.

A study performed in April 2005 by Daedalus Consulting shows that 73% of the people living in Romanian cities, of 18 - 65 years old, consumed sweets in the precedent month of the study.

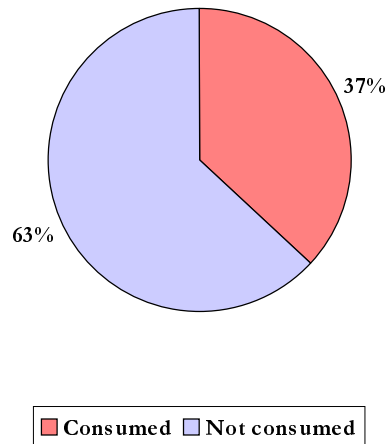
The percentage of the people living in Romanian cities, of 18 - 65 years old, who consumed or not sweets in March 2005



Source: Daedalus Consulting

According to the same study, as an average, each client living in Romanian cities, of 18 - 65 years old, consumes 2 - 3 types of sweets, of which the chocolate candies were consumed by 37% of the interviewed persons.

The percentage of people living in Romanian cities, of 18 - 65 years old, who consumed or not chocolate candies in March 2005

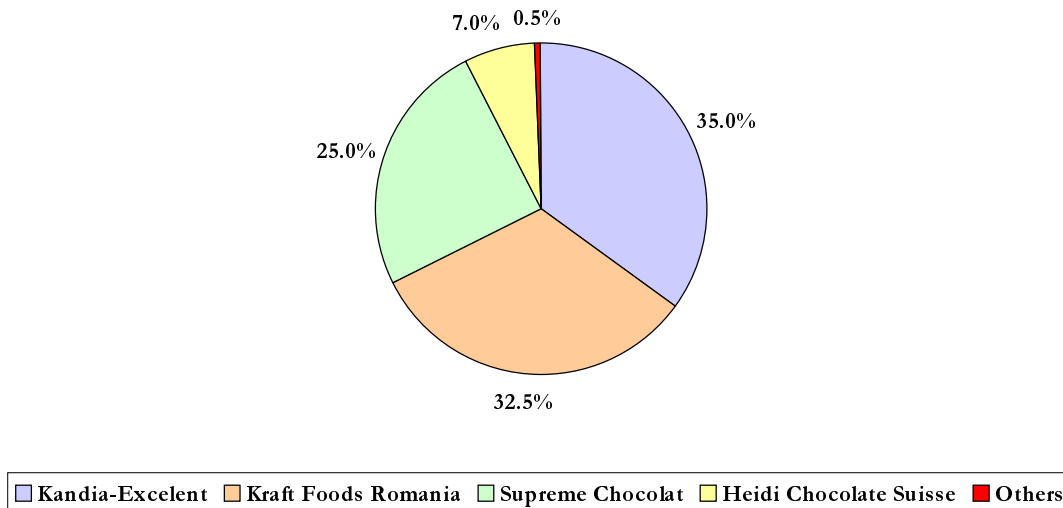


Source: Daedalus Consulting

Main Players

The main players on the Romanian chocolate market are Kandia-Excelent (with a market share of about 35%), Kraft Foods Romania (with a market share of about 32.5%), Supreme Chocolat (with a market share of about 25%) and Heidi Chocolate Suisse (with a market share of about 7%).

The market shares of the players on the Romanian chocolate market



Source: Grapefruit consulting and branding company

Kandia-Excelent chocolate manufacturer recorded in the first half of this year a double net income to 11.2 million RON, while its turnover reached a value of 56.4 million RON, down 3% compared to the similar period of the last year. In the first six months of the last year, the company reported income standing at 5.6 million RON amid turnover worth 58.2 million RON. In the first quarter of this year, the company witnessed shrinking financial indicators, reporting turnover worth 27.8 million RON, down around 11% and income worth 1.35 million RON, almost four times smaller than the value of 5.1 million RON in the first three months of the last year.

Kandia projects a 21% turnover advance by the end of this year, to 151.1 million RON and expects its net income to reach 15.6 million RON, double the level of last year. The company has budgeted total investments of around 15 million Euro for this year. The main rivals of Kandia-Excelent on the chocolate market are Kraft Foods Romania (with the Poiana, Milka, Toblerone, Africana brands), Heidi Chocolate Suisse (with the Heidi brand) and Supreme Chocolats (the Primola and Novatini brands). The majority shareholder in the firm is Axis Investments, with 83.96%. Kandia-Excelent stock is traded on the second tier of the Bucharest Stock Exchange. During April 2006, Austria's Meinel Bank AG became a shareholder in Kandia-Excelent, currently holding a 9.16 percent share in this company.

This Romanian Chocolate Market Report is produced by FRD Center Romania – www.frdcenter.ro - a privately owned market entry consulting firm based in Romania. FRD Center offers tailor-made business intelligence and market support for foreign companies interested to enter the Romanian market as exporters, consultants, investors or joint-ventures.

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- identification and selection of JV and franchising opportunities
- investment assessment
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