

Press Release

20 August 2008

Cloetta Fazer reports lower profit for first half of 2008

Cloetta Fazer's net sales for the second quarter rose by SEK 80 million to SEK 738 million. Operating profit amounted to SEK 7 million (33) excluding a goodwill impairment charge of SEK 90 million arising from the upcoming demerger of Cloetta Fazer. Operating margin was 1 per cent (4.9).

“Like the first quarter, the second quarter of 2008 was characterised by lower gross margins resulting from increased raw material costs and higher selling and marketing expenses,” says the company's CEO Jesper Åberg.

Total sales for the first half of the year rose by 9 per cent to SEK 1,520 million (1,398). The increase in sales for the period is explained by acquisitions, volume growth and higher selling prices. Before the impairment charge of SEK 90 million, operating profit for the first six months was SEK 54 million (112).

“The implemented price increases have not been sufficient to offset higher raw material costs, which has impacted gross margins and contributed to the year's weak earnings trend,” adds Jesper Åberg. “In addition, a high level of activity in sales and marketing campaigns has pushed up overhead expenses compared to the preceding year.”

The demerger of Cloetta Fazer has led to a goodwill impairment charge of SEK 90 million owing to decreased sales in the new Cloetta, which in the future will not include sales of Fazer products in Sweden.

The information from Cloetta Fazer contained herein is subject to the disclosure requirements in the Swedish Securities Market Act. The information was submitted for publication on 20 August 2008, 12:05 p.m.

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 1,600 and annual sales amount to approximately SEK 3,3 billion.

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