Cloetta Fazer Interim report January – March 2008

	January – March **2008**	2007
Net sales, SEK M	**782**	740
Operating profit, SEK M	**47**	79
Equal to an operating margin of, %	**6.0**	10.7
Profit before tax, SEK M	**55**	86
Profit after tax, SEK M	**40**	63
Earnings per share, basic and diluted, SEK	**1.65**	2.61

Our 12 prioritised brands

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

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COMMENTS FROM THE CEO

"In the first quarter of 2007 Cloetta Fazer increased its sales by 6%, partly thanks to the now completed acquisitions of Karamellpojkarna and Fennobon and the period's price increases. Our prioritised brands grew by 3% and miscellaneous brands by 14%, while the pick-and-mix segment declined by 16%. The positive sales trend for our brands was mainly driven by successful new launches and campaigns. The strongest sales growth was achieved in the Finnish and non-Nordic markets.

Earnings fell somewhat from the first quarter of last year, largely as a result of higher raw material prices and increased selling and marketing expenses where the latter were partly of an accrual nature. The price increases we introduced at the beginning of the 2008 have not been sufficient to compensate for the rising cost of several raw materials, and further upward adjustment of prices hikes will therefore be necessary. At the same time, we are taking continuous measures to optimise efficiency throughout our operations.

Cloetta Fazer is working with a sustained focus on developing and marketing our strongest brands. Quality and innovation are key success factors in this context. Today our products are sold primarily in the Nordic and Baltic regions and manufactured in our own factories, close to the consumers in our home Swedish and Finnish home markets."

SALES AND PROFIT IN 2008

Net sales rose by 6% to SEK 782 million (740).Nordic sales climbed to SEK 716 million (683) and non-Nordic sales to SEK 66 million (57). AB Karamellpojkarna and Fennobon Oy, which were acquired on 1 October 2007 and 2 January 2008, respectively, contributed net sales of SEK 27 million, the bulk of which refers to the Nordic market. On a like-for-like basis, total sales increased by SEK 15 million, of which foreign exchange effects arising on translation of foreign subsidiaries accounted for approximately SEK 10 million.

Prices for several of the Group's most important raw materials have risen sharply in 2007 and 2008, and pushed up manufacturing costs significantly over those in the first quarter of last year, which was ultimately reflected in lower earnings. To compensate for these higher costs, Cloetta Fazer raised its sales prices at the beginning of 2008. However, these price hikes have not been sufficient and gross margin has weakened to 32.1%, down from 34.7% in the first quarter of 2007. The higher raw material prices have had the greatest impact on chocolate products, but have also affected the sugar confectionery segment to a certain extent.

To ensure access to raw materials and counter the effects of price movements, Cloetta Fazer signs long-term delivery contracts. The already introduced price hikes do not reflect the current cost of raw materials, for which reason additional increases will be necessary alongside measures to enhance efficiency.

Selling and marketing expenses rose by SEK 22 million to SEK 211 million. On a like-for-like basis, overhead expenses were up by SEK 16 million. To a certain extent, the increased costs are explained by higher sales activity during the first quarter of this year than in the corresponding quarter of 2007. A weaker gross profit and higher overheads led to a drop in operating profit compared to the prior year. Furthermore, profit for the period was charged with revaluation losses of SEK 2 million on the forward exchange contract portfolio. Operating profit for the period was SEK 47 million, a decrease of SEK 32 million from SEK 79 million the year before. This is equal to an operating margin of 6.0%, compared to 10.7% in the first quarter of 2007.

The prioritised brands grew by 3% and miscellaneous brands by 14%, while pick-and-mix sales declined by 16%. The most significant sales growth was seen in the Finnish and non-Nordic markets. Among the prioritised brands, which make up around 55% of total sales, growth was strongest for sugar confectionery, while sales of chocolate products were unchanged or down from the previous year. The top performers in the sugar confectionery segment were the bagged products Tutti Frutti and Ässä, which achieved growth of between 40% and 50 through a combination of new product launches and effective marketing. Of the miscellaneous brands, consisting of products with strong local ties, the past year's successful trend continued with especially robust growth in the Finnish market. In the non-Nordic markets, sales showed continued positive development.

Profit before tax was SEK 55 million (86). Net financial items amounted to SEK 8 million, compared to SEK 7 million the year before. Profit after tax totalled SEK 40 million (63), equal to earnings per share of SEK 1.65 (2.61). The period's income tax expense was SEK 15 million (23), corresponding to an effective tax rate of 28% (27%).

ROLLING 12 MONTHS

Operating profit before restructuring charges for the period April 2007 – March 2008 was SEK 303 million (358) and operating margin was 9.2% (11.6%). Sales rose by 7% during the period to SEK 3,295 million.

FINANCING AND LIQUIDITY

Cash and cash equivalents and short-term investments in the first quarter fell by SEK 149 million to SEK 1,037 million (1,186). Cash flow from operating activities was SEK 3 million (–5). Net cash of SEK 47 million (50) was utilised for investments in property, plant and equipment. The acquisition of Fennobon Oy was completed on 2 January. Final settlement of the purchase price affected cash flow in a net amount of SEK –62 million. Together with the advance payment and direct acquisition costs in 2007, the acquisition has affected cash flow in a net amount of SEK –104 million.

Interest-bearing assets exceeded interest-bearing liabilities by a net amount of SEK 941 million (1,086).

The equity/assets ratio at the end of the period was 79% (79%).

CAPITAL EXPENDITURE

Gross expenditure on property, plant and equipment was SEK 47 million (50), and referred primarily to capacity and replacement investments in the existing production lines.

Depreciation amounted to SEK 37 million (30).

ACQUISITIONS

On 30 November 2007 Cloetta Fazer AB signed an agreement to acquire all of the shares in Finland-based Fennobon Oy, with the transfer of ownership on 2 January 2008. The company is a maker of sugar-free chewing gum and lozenges and is number three in the Finnish chewing gum market. The best-selling products are XyliDent and XyliBon.

The net investment in Fennobon Oy amounted to SEK 106 million, of which SEK 6 million consisted of direct acquisition costs. According to preliminary assessments, the acquisition of Fennobon in 2008 is expected to give rise to intangible assets of SEK 74 million, of which SEK 64 million in goodwill attributable to synergy gains. The Group's strong position in a number of markets provides a platform for growth in the acquired segment, and by exploiting the well known brands it is possible to widen this product range.

EMPLOYEES

The average number of employees during the period was 1,590 (1,460). The increase is mainly attributable to the acquisitions of AB Karamellpojkarna and Fennobon Oy.

PARENT COMPANY

Net sales in the Parent Company are reported at SEK 18 million (15) and consisted mainly of intra-group services and rents. Profit before tax was SEK 4 million (118). Net financial items amounted to SEK 10 million (123) and include subsidiary dividends of SEK 0 million (116). Cash and cash equivalents and short-term investments totalled SEK 939 million (1,080).

SHARE DATA

Cloetta Fazer's class B share is quoted on the OMX Nordic Exchange Stockholm. A round lot consists of 50 shares. A total of 161,666 shares were traded during the period January–March 2008. The highest bid price was SEK 237 and the lowest was SEK 200. At 31 March the share was quoted at SEK 229 (last price paid).

SHAREHOLDERS

On 31 March 2008, Cloetta Fazer had 3,622 shareholders. The principal shareholders and institutional investors held approximately 95.8% of the votes and around 88.6% of the share capital.

POSTPONEMENT OF 2008 AGM

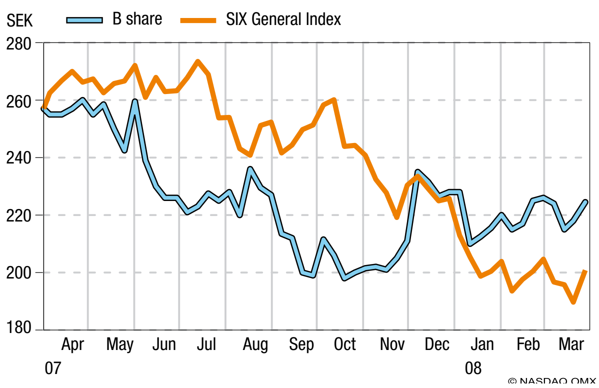
In a press release dated 17 April, the Board of Cloetta Fazer AB announced its decision to postpone the AGM that was planned for 23 April.

In January this year Cloetta Fazer AB's principal owners, Oy Karl Fazer Ab and AB Malfors Promotor, appointed former Board members Lennart Bylock and Wilhelm Lüning to propose alternative solutions to the longstanding conflict between the two principal owners regarding ownership of Cloetta Fazer. In connection with this, it was announced that the intention was for these mediators to prepare a proposal that would be presented to the principal owners prior to the AGM on 23 April 2008.

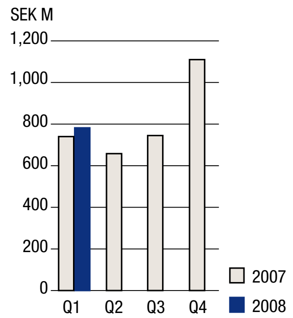
On the recommendation of both principal owners, the Board has today decided to postpone the Annual General Meeting that was scheduled for 23 April. The decision is motivated by the ongoing mediation discussions which the company informed about in its press release on 24 January 2008.

The Board of Directors will issue a new invitation to the AGM at a later date. In accordance with the Swedish Companies Act, the AGM must be held before the end of June.

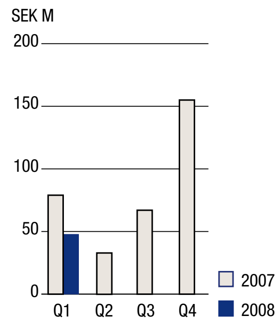
Cloetta Fazer share price development, April 2007 – March 2008



Net sales



Operating profit [1)]



1) Excluding restructuring charges

OPERATING AND FINANCIAL RISKS IN THE GROUP AND THE PARENT COMPANY

Through its operations, the Cloetta Fazer is exposed to both operating and financial risks. The operating risks are managed by the operating units and the financial risks by the central finance function.

The Group's manufacturing costs account for approximately 65% of the total cost mass. Of total manufacturing costs, raw materials and packaging make up approximately 60%. The most significant raw materials in terms of value are cocoa, sugar and milk products. Compared to the first quarter of last year, prices for the majority of raw materials have risen sharply. The price development for raw materials is monitored and analysed continuously.

The Group's financial risks consist primarily of currency risk, interest rate risk and credit risk. Cash and cash equivalents and short-term investments at 31 March 2008 amounted to SEK 1,037 million. The Group's investment strategy is based on the guidelines set out in the Board's finance policy.

In connection with acquisitions, a risk assessment of the acquired unit is carried out as part of the due diligence process preceding the transaction.

For more information about risk management, see the related sections of the 2007 annual report. No significant changes have taken place compared to the information provided in the annual report

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 for application in the EU. This interim report is presented in accordance with IAS 34. The accounts of the Parent Company have been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 2.1 Accounting for Legal Entities. The accounting and valuation standards applied in this report are the same as those used in the annual report for 2007.

The estimates and assumptions applied by the board and management in preparation of the financial statements are evaluated on a regular basis.

The new interpretations from IFRIC effective as of 1 January 2008 are IFRIC 11, 12 and 14. The latter two have not yet been endorsed by the EU and are not applied by Cloetta Fazer. IFRIC 11 IFRS 2 – Group and Treasury Share Transactions has not had any impact on the Group's profit, financial position or cash flow.

Related party transactions

Sales of goods to companies in the Fazer Group made up 1.7% (3.7%) of total sales. Of other operating income (excluding capital gains), 13.8% (16.8%) referred to services sold to companies in the Fazer Group. 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 1 million (13) and a liability of SEK 0 million (1).

Ljungsbro, 23 April 2008
Cloetta Fazer AB (publ)

The Board of Directors

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

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Summary consolidated profit and loss accounts

SEK M	First quarter 2008	First quarter 2007	Rolling 12 months	Full year 2007
Net sales	**782**	740	3,295	3,253
Cost of goods sold	**–531**	–483	–2,199	–2,151
Gross profit	**251**	257	1,096	1,102
Other operating income	**11**	11	53	53
Selling and administrative expenses	**–211**	–189	–862	–840
Other operating expenses	**–4**	0	–6	–2
Operating profit	**47**	79	281	313
Financial items	**8**	7	31	30
Profit before tax	**55**	86	312	343
Income tax expense	**–15**	–23	–85	–93
Profit for the period	**40**	63	227	250
Profit for the period attributable to:				
Equity holders of the Parent Company	**40**	63	226	249
Minority interest	**0**	0	1	1
Earnings per share before and after dilution	**1.65**	2.61	9.35	10.31
Number of shares at end of period [1]	**24,119,196**	24,119,196	24,119,196	24,119,196

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

Comparative information
Significant items affecting comparability between years:

	2008	2007	Rolling 12 months	Full year 2007
Cost of goods sold				
Staff reduction in Sweden	**–**	–	–13	–13
Total cost of goods sold	**–**	–	–13	–13
Selling and administrative expenses				
Staff reduction in Sweden	**–**	–	–9	–9
Total selling and administrative expenses	**–**	–	–9	–9
Effect on operating profit	**–**	–	–22	–22
Income tax expense	**–**	–	6	6
Effect on profit for the period	**–**	–	–16	–16

Summary consolidated profit and loss accounts in Euro

SEK M	First quarter 2008	First quarter 2007	Rolling 12 months	Full year 2007
Net sales	**83.2**	80.6	354.2	351.6
Cost of goods sold	**–56.5**	–52.6	–236.4	–232.5
Gross profit	**26.7**	28.0	117.8	119.1
Other operating income	**1.2**	1.2	5.7	5.7
Selling and administrative expenses	**–22.5**	–20.6	–92.6	–90.7
Other operating expenses	**–0.4**	0.0	–0.6	–0.2
Operating profit	**5.0**	8.6	30.3	33.9
Financial items	**0.9**	0.8	3.3	3.2
Profit before tax	**5.9**	9.4	33.6	37.1
Income tax expense	**–1.6**	–2.5	–9.2	–10.1
Profit for the period	**4.3**	6.9	24.4	27.0
Profit for the period attributable to:				
Equity holders of the Parent Company	**4.3**	6.9	24.3	26.9
Minority interest	**0.0**	0.0	0.1	0.1

Summary consolidated profit and loss account by segment

SEK M	First quarter 2008	2007	Rolling 12 months	Full year 2007
Net sales				
Nordic countries	**716**	683	3,015	2,982
Other markets	**66**	57	280	271
Total net sales	**782**	740	3,295	3,253
Operating profit				
Nordic countries 1)	**46**	76	280	310
Other markets	**1**	3	1	3
Total operating profit	**47**	79	281	313
1) Of which, restructuring charges.	**–**	–	–22	–22

Quarterly data

SEK M	**Q1 2008**	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Full year 2007
Net sales	**782**	740	658	745	1,110	3,253
Operating profit	**47**	79	33	46	155	313
Operating profit 1)	**47**	79	33	67	156	335
Operating margin, % 1)	**6.0**	10.7	4.9	9.0	14.1	10.3
Earnings per share, SEK	**1.65**	2.61	1.11	1.60	4.99	10.31
Cash flow from operating activities	**3**	–5	61	32	251	339

1) Excluding restructuring charges.

Summary consolidated balance sheets

SEK M	**2008 31 March**	2007 31 March	2007 31 Dec
Intangible assets			
Goodwill	**245**	181	181
Other intangible assets	**76**	66	66
Tangible assets	**1,144**	1,017	1,111
Financial assets	**25**	18	66
Inventories	**389**	344	331
Current receivables	**496**	489	474
Short-term investments	**443**	458	454
Cash and cash equivalents	**594**	728	695
Total assets	**3,412**	3,301	3,378
Equity	**2,679**	2,602	2,647
Non-current liabilities			
Deferred tax liability	**198**	186	189
Other provisions	**138**	115	138
Current liabilities	**397**	398	404
Total equity and liabilities	**3,412**	3,301	3,378

Summary statement of changes in equity

SEK M	**2008 31 March**	2007 31 March	2007 31 Dec
Equity at 1 January	**2,647**	2,513	2,513
Translation differences	**–8**	26	42
Profit for the period	**40**	63	250
Total recognised income and expense excluding transactions with shareholders	**32**	89	292
Dividends	**–**	–	–158
Equity at end of period	**2,679**	2,602	2,647
Minority interest in equity	**4**	3	3

Summary consolidated cash flow statements

SEK M	First quarter 2008	2007	Rolling 12 months	Full year 2007
Cash flow from operating activities	**3**	–5	347	339
Investing activities				
Net expenditure on property, plant and equipment	**–47**	–50	–188	–191
Acquisition of subsidiaries	**–62**	–	–107	–45
Investments/disinvestments in short-term investments	**6**	–86	12	–80
Acquisition of long-term investments	**–1**	–	–7	–6
Cash flow from investing activities	**–104**	–136	–290	–322
Financing activities				
Dividends to shareholders including minority	**–**	–	–158	–158
Repayment of debt	**–**	–	–33	–33
Cash flow from financing activities	**–**	–	–191	–191
Cash flow for the period	**–101**	–141	–134	–174
Cash and cash equivalents at beginning of period	**695**	866	728	866
Translation difference in cash and cash equivalents	**0**	3	0	3
Cash and cash equivalents at end of period	**594**	728	594	695
Cash, cash equivalents and short-term investments < 3 months	**594**	728	594	695
Short-term investments > 3 months	**443**	458	443	454
	1,037	1,186	1,037	1,149

Key ratios

	First quarter 2008	First quarter 2007	Full year 2007	Full year 2006
Operating profit, SEK M	**47**	79	313	346
Operating margin, %	**6.0**	10.7	9.6	11.3
Restructuring charges with an effect on operating profit, SEK M	**–**	–	–22	–7
Operating margin excluding one-time items, %	**6.0**	10.7	10.3	11.5
Profit before tax, SEK M	**55**	86	343	360
Earnings per share, basic and diluted, SEK	**1.65**	2.61	10.31	10.81
Earnings per share, basic and diluted, SEK [1)]	**1.65**	2.61	10.96	11.03
Return on capital employed, % [1,2)]	**12.7**	15.2	14.6	14.6
Return on equity after tax, % [1,2)]	**9.1**	10.8	10.2	10.8
Cash flow from operating activities, SEK M	**3**	–5	339	333
Cash after investments in property, plant and equipment, SEK M	**–44**	–55	148	189
Net asset, SEK M	**941**	1,086	1,054	1,148
Equity/assets ratio, %	**78.5**	78.8	78.4	78.1
Equity per share, SEK	**110.92**	107.75	109.60	104.10
Average number of employees	**1,590**	1,460	1,560	1,600
Number of shares at end of period [3)]	**24,119,196**	24,119,196	24,119,196	24,119,196

1) Excluding restructuring charges affecting comparability between years.
2) Refers to rolling 12-month period.
3) Which also corresponds to the average number of shares during the period.

Summary parent company profit and loss accounts

SEK M	**Firstquarter 2008**	First quarter 2007	Full year 2007
Net sales	**18**	15	66
Costs for property management and sold services	**–16**	–15	–63
Gross profit	**2**	0	3
Administrative expenses	**–4**	–5	–26
Other operating income and expenses	**–4**	0	5
Operating profit	**–6**	–5	–18
Result from participations in group companies	**–**	116	156
Other financial income and expenses	**10**	7	35
Profit after financial items	**4**	118	173
Appropriations	**–**	–	–5
Income tax expense	**–1**	–1	–4
Profit for the period	**3**	117	164

Summary parent company balance sheets

SEK M	**First quarter 2008**	First quarter 2007	Full year 2007
Intangible assets	**2**	2	2
Tangible assets	**58**	61	58
Financial assets	**1,704**	1,583	1,637
Current receivables	**253**	316	253
Short-term investments	**443**	458	454
Cash and cash equivalents	**496**	622	602
Total assets	**2,956**	3,042	3,006
Equity	**2,418**	2,525	2,415
Untaxed reserves	**27**	22	27
Non-current liabilities and provisions	**62**	50	59
Current liabilities	**449**	445	505
Total equity and liabilities	**2,956**	3,042	3,006

CLOETTA FAZER

Key events in the first quarter of 2008

- On 30 November 2007 Cloetta Fazer AB signed an agreement to acquire all of the shares in Finland-based Fennobon Oy, with the transfer of ownership on 2 January 2008. Among other things, the acquisition of Fennobon Oy will give Cloetta Fazer expertise in xylitol products and a strong position in an expanding product segment. Fennobon is number three in the Finnish chewing gum market and the country's only domestic chewing gum maker.

- Eva Persson has been appointed Managing Director of Cloetta Fazer Sverige AB, Cloetta Fazer's subsidiary in Sweden. Based on her current position as Commercial Director and long experience of fast-moving consumer goods, she is well acquainted with both the company and the market. She will take up her new duties on 1 June 2008. Read more at www.cloettafazer.com/en/Press/Press-Releases.aspx.

- The development of exclusive products is a distinct trend in the confectionery market at present. Cloetta Fazer's premium chocolate series, Karl Fazer Exclusive, was launched two years ago and the design has now been updated to promote the series' growth and create better visibility. The new package design was launched in Sweden, Finland and the Baltic countries during January, and has been well received by consumers.

- In response to another trend – the rising popularity of liquorice – the Ässä LakuMix mixed liquorice bag was launched on the Finnish market and sales in the first quarter surpassed expectations. The package design for Fazer liquorice has been revised to create a more modern image. Considerable potential for natural liquorice products is anticipated in both Finland and other markets.

- Tutti Frutti-flavoured Plopp was launched in Sweden during the first quarter.

- The launch of the new heart-shaped Geisha box was a success in several of Cloetta Fazer's markets.

- Following its launch in Sweden, the Natt katten bag became a popular new member of the Katten series.

Cloetta Fazer is the Nordic region's leading confectionery company, with a market share of around 22%. 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 net sales in 2007 were approximately SEK 3.3 billion.

Financial calendar 2008

- second quarter report – 20 August 2008
- third quarter report – 20 October 2008

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The annual report and interim reports are also published at

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