



## **Public offer by Fazer to the shareholders in Cloetta Fazer**

**Fazer Group**  
**Press release**  
16.6.2008

*This press release is not and must not, directly or indirectly, be distributed or made public in the United States, Australia, Canada, Japan, New Zealand or South Africa. The Offer is not being made to persons in those jurisdictions or elsewhere where their participation requires further offer documents, filings or other measures in addition to those required by Swedish law*

**Press release 16 June 2008**

## **Public offer by Fazer to the shareholders in Cloetta Fazer**

Oy Karl Fazer Ab (“Fazer”) hereby announces a public offer to the shareholders in Cloetta Fazer AB (publ) (“Cloetta Fazer”) to tender all their shares in Cloetta Fazer to Fazer (the “Offer”).<sup>1</sup> Cloetta Fazer’s shares of class B are listed on the OMX Nordic Exchange Stockholm, the Nordic List, Mid Cap. The shares of class A are not listed and are mainly owned by Fazer and AB Malfors Promotor (“Malfors”).

The principal owners of Cloetta Fazer – Fazer and Malfors – have struck an agreement concerning a de-merger of Cloetta Fazer. Through the de-merge Cloetta Fazer creates the two future companies Cloetta and Fazer Confectionary. The new Cloetta intends to apply for a listing on the OMX Nordic Exchange Stockholm. Fazer Confectionary will be consolidated in the privately held Fazer Group. The de-merger is intended to be carried out through a dividend in the form of shares in the new Cloetta under the so-called Lex Asea rules to the shareholders in Cloetta Fazer.<sup>2</sup> Fazer’s Offer is for all shares in the remaining Cloetta Fazer (to become Fazer Confectionary). The shares in the new Cloetta that Fazer, together with certain affiliates, will receive in connection with the dividend are used as part of the consideration in the Offer. The de-merger is described in more detail below.

### **The Offer in brief**

- The Offer consists of SEK 202 in cash and 0.92 shares of class B in the new Cloetta for each share in Cloetta Fazer, which upon full acceptance in the Offer represents a consideration of in total approximately SEK 2.5 billion and approximately 11.5 million shares of class B in the new Cloetta<sup>3</sup>
- Considering the structure of the transaction, it has been considered neither appropriate nor adequate to try to calculate the total value of the Offer and the amount of the premium in relation to the share price of Cloetta Fazer that the Offer represents. On 13 June 2008 (the last trading day prior to announcement of the Offer), the closing price of the Cloetta Fazer share was SEK 212. The proposed cash dividend to be resolved upon at the annual

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<sup>1</sup> As a matter of formality, the Offer can be made by a subsidiary to Fazer that has been established for the purpose of making the Offer and take all actions necessary to complete the Offer and subsequently operate as parent company of Cloetta Fazer

<sup>2</sup> Shareholders in Cloetta Fazer representing in total approximately 90.7 per cent of the votes have committed to vote for the dividend in the form of shares in the new Cloetta at the future general meeting

<sup>3</sup> The information on total amount and total number of shares is based on that certain affiliates to Fazer sell their shares in Cloetta Fazer outside of the Offer, and thus do not receive any shares in the new Cloetta

general meeting on 16 June 2008 is SEK 10 per share. Shareholders who accept the Offer receive for each share held in Cloetta Fazer SEK 202 (which corresponds to the above mentioned closing price adjusted for the cash dividend), and 1.92 shares in the new Cloetta, of which one share is received as dividend from Cloetta Fazer and 0.92 share is received as part of the consideration from Fazer

- The Offer is conditional upon *inter alia* the distribution of the shares in the new Cloetta as dividend to the shareholders in Cloetta Fazer
- Prior to the Offer, Fazer owns 2,300,000 shares of class A and 2,697,027 shares of class B representing approximately 20.7 per cent of the share capital and approximately 38.9 per cent of the votes in Cloetta Fazer
- Malfors, and a number of private persons connected to Malfors, with a total holding representing approximately 26.6 per cent of the share capital and approximately 41.8 per cent of the votes in Cloetta Fazer, support the Offer and have committed to accept the Offer and to vote for the proposals at the general meetings in Cloetta Fazer that will be submitted pursuant to the de-merger and the Offer
- A number of affiliates to Fazer, with a total holding representing approximately 27.4 per cent of the share capital and approximately 10.0 per cent of the votes in Cloetta Fazer, support the Offer and have committed to transfer their shares in Cloetta Fazer to Fazer or its subsidiary, and to vote for the proposals at the general meetings in Cloetta Fazer that will be submitted pursuant to the de-merger and the Offer
- Shareholders that, in accordance with the above, have committed to support the Offer and to vote for the proposals at the general meetings in Cloetta Fazer that will be submitted pursuant to the de-merger and the Offer hold, together with the shares held by Fazer, shares corresponding to approximately 74.7 per cent of the share capital and approximately 90.7 per cent of the votes in Cloetta Fazer
- The acceptance period of the Offer is expected to begin on 1 December 2008 and end on 22 December 2008<sup>4</sup>
- A press conference will be held today at 10.00 in World Trade Center, Stockholm, conference room New York

**For further information, please contact**

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For more information on the de-merger, please see also [www.fazer.com](http://www.fazer.com) for other press releases on the subject and Cloetta Fazer's communication at [www.cloettafazer.com](http://www.cloettafazer.com).

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<sup>4</sup> The Swedish Securities Council has given an exemption to the effect that Fazer is entitled to draft and file an offer document regarding the Offer for approval with the Swedish Securities Council not later than 30 November 2008 (Statement 2008:18)

**About the Fazer Group**

The Fazer Group originates from a family business founded in 1891. Today the Fazer Group offers meals and bakery products and operates in a total of eight countries. Its operations are based on passion for customer, quality excellence and team spirit. The Fazer Group operates in three divisions, which are all committed to offering taste sensations: Fazer Amica, Fazer Bakeries and Fazer Russia. Fazer Amica is a leading contract catering company in the Nordic and the Baltic countries, offering customers delicious food and tailor-made service solutions. The company operates in the Nordic countries, Estonia, Latvia and Russia. Fazer Bakeries offers fresh and tasty bakery products and operates in Finland, Sweden, Estonia, Latvia and Lithuania. Fazer Russia is responsible for Fazer's bakery operations in Russia and is one of the leading bakery companies in Russia. The Fazer Group's most important associated company is Cloetta Fazer, which is the leading confectionery company in the Nordic countries. Fazer Group's turnover for 2007 was around EUR 1.2 billion. The Group employs approximately 15,000 people.

### **Background and reasons**

Cloetta Fazer, the largest chocolate and confectionery producer in the Nordic region, is listed on the OMX Nordic Exchange Stockholm. During the spring of 2008, the two principal shareholders Fazer and Malfors have been participating in a mediator discussion lead by the former board members Lennart Bylock and Wilhelm Luning in order to resolve the differences of opinion that have been between the two principal shareholders. The purpose has been to, based on the mediator discussion, find a proposed solution ahead of Cloetta Fazer's annual general meeting on 16 June 2008 that benefits both the company and the shareholders in general.

### **The agreement between Fazer and Malfors**

The agreement between the principal shareholders, which is based on the proposal from the mediators, entails that the operations in Cloetta Fazer will be de-merged into the two new companies Cloetta and Fazer Confectionery.

Through the de-merger, new Cloetta will hold the exclusive rights to the so-called umbrella brands Cloetta and Karamellpojka, with product brands such as Kexchoklad, Center, Plopp, and Extra Starka.

Through the de-merger, Fazer will hold the exclusive rights to the brand Fennonbon and Fazer's related product brands such as Dumle, Geisha, Marianne, Tutti Frutti, Ässä, Pantteri/Salta Katten and Tyrkisk Peber. Fazer has historically owned the rights to the brands Fazer, Karl Fazer and Fazers Blue. The company will have production facilities in Vantaa, Lappeenranta and Högfors. Jesper Åberg, currently Managing Director and CEO of Cloetta Fazer, will be appointed as Managing Director for Fazer Confectionery following the de-merger. Shortly, a person will be commissioned to build Fazer's Swedish operations.

The future operation of the company to become Fazer Konfektyr is described in further details below. For a more detailed description of the future operation in the new Cloetta reference is made to the press release from Cloetta Fazer.

### **Dividend in the form of shares in the new Cloetta**

As a first step of the agreement, the shareholders of Cloetta Fazer are proposed to receive shares in the the new Cloetta distributed as dividend. A general meeting to resolve upon the dividend is planned to be held during the autumn 2008. The dividend will be carried out according to the Lex-Asea rules. The distribution of shares in the new Cloetta is proposed to be carried out in proportion to the individual shareholdings in Cloetta Fazer. For each A-share in Cloetta Fazer a new A-share in new Cloetta will be received and for every B-share in Cloetta Fazer a B-share in new Cloetta will be received. The shares in the new Cloetta are intended to be listed on the OMX Nordic Exchange Stockholm in connection with the distribution of the shares as dividend. Following a resolution at the general meeting, the shareholders in Cloetta Fazer will receive the shares in new Cloetta without any further activities.

The dividend in the form of shares in the new Cloetta means that Fazer will receive both class A shares and class B shares in the new Cloetta. Fazer has committed to immediately after the dividend re-classify all class A shares in the new Cloetta to class B shares in the new Cloetta to be used as part of the consideration in the Offer.

## **Pro-forma figures and description of new Cloetta and Fazer Confectionery**

### *The new Cloetta*

The new Cloetta will consist of the operations under the so-called umbrella brands Cloetta and Karamellpojka with product brands such as Kexchoklad, Center, Plopp, Polly and Extra Starka.

For a more detailed description of the future operation in the new Cloetta reference is made to the press release from Cloetta Fazer.

### *Preliminary pro-forma financial information*

Please find below a summary of the preliminary pro-forma figures for 1 January – 31 December 2007 including operating profit and a preliminary pro-forma for operating capital as per 31 December 2007. Pro-forma figures will be described in further detail in the prospectus that will be distributed to Cloetta Fazer's shareholders ahead of the distribution of dividend and the intended listing of the new Cloetta.<sup>5</sup>

The new Cloetta is estimated as per 31 August 2008 to have a net cash position of MSEK 160.

Adjustments to the pro-forma financial statements for the new Cloetta and Fazer Confectionery's results 2007:

- The income statement of the new Cloetta mainly consists of Cloetta Fazer Sverige AB ("CFS"), where all operations relation to the umbrella brand Cloetta have been carried out over the past years.
- CFS is today also responsible for sales of products under the umbrella brand Fazer at the Swedish market. As sales of Fazer's products is intended to remain in Cloetta Fazer (Fazer Confectionery), at the detachment of new Cloetta, the net sales from these products have reduced CFS's net sales.<sup>6</sup> Fazer's products relates to 40 percent of CFS's net sales 2007. Due to decreased economies of scale, Cloetta is not estimated to be able to reduce costs in the same range as the net sales decrease. CFS's operating costs have thus been adjusted downwards by 33 per cent. The fact that the operating costs have been reduced with 33 percent instead of 40 percent means that the pro-forma net profit in new Cloetta is decreased by MSEK 24.
- Net sales and operating profits of AB Karamellpojka ("Karamellpojka") for the period 1 January – 31 December 2007 have been added to the pro-forma figures. Karamellpojka was consolidated in Cloetta Fazer's figures 1 October 2007.
- Fazer Confectionery's pro forma net sales and operating profit consists of the difference between Cloetta Fazer and new Cloetta's proforma net sales and proforma operating profit. New Cloetta's proforma operating profit has been adjusted down with MSEK 24. Also, Fazer Confectionery will have some costs related to the transition and will be

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<sup>5</sup> The prospectus is intended to form part of the offer document that Fazer will draw up pursuant to the Offer

<sup>6</sup> During a transition period, CFS will keep the responsibility for the sale of Fazer's products in Sweden.

effected by reduced economies of scale in the same way as new Cloetta. The reduced economies of scale also results in Fazer Confectionery's pro-forma operating profit being adjusted downwards by MSEK 25 (thus, this entails an adjustment of Fazer Konfektyr's proforma operating profit with in total MSEK 49)

Pro-forma adjustments regarding Cloetta's and Fazer Confectionery's operating capital.

- The new Cloetta's operating capital consists of operating capital in CFS and Karamellpojka
- Properties in Ljungsbro and the umbrella brand rights, Cloetta and Karamellpojka are parts of new Cloetta
- Working capital related to Fazer products is part of Cloetta's operating capital as the company, during a transition period, is intended to be responsible for the sales of these products at the Swedish market
- Fazer Confectionery's pro-forma operating capital consists of the difference between Cloetta Fazer's and new Cloetta's proforma operating capital

	<u>Cloetta</u> <u>Fazer</u> <u>before</u>	<u>New</u> <u>Cloetta</u>	<u>Fazer</u> <u>Confectionery</u> <u>proforma</u> <u>after</u> <u>dividends</u>
<b><u>Pro-forma results 2007, MSEK<sup>7</sup></u></b>	<b><u>dividends</u></b>	<b><u>proforma</u></b>	
Net Sales	3 253	846	2 407
Net Sales excluding restructuring costs	335	53	233
Operating profit	313	33	231
<u>Key figures:</u>			
Operating margin	9,6%	3,9%	9,6%
Operating margin excluding restructuring costs	10,3%	6,3%	9,7%
Depreciation	132	37	95
Operating profit before depreciation (EBITDA), excluding restructuring costs	467	90	328
Operating profit before depreciation (EBITDA)	445	70	326
Net cash position	1 054	160	894
<b><u>Pro-forma operating capital 31 december 2007, MSEK<sup>8</sup></u></b>			
Intangible assets <sup>9</sup>	247	237	10
Tangible assets	1 111	375	736
Inventories	331	118	213
Current receivables	474	165	309

<sup>7</sup> Unaudited

<sup>8</sup> Unaudited

<sup>9</sup> Due to reduced economies of scale, parts of goodwill and brands might have to be written down. The assessment that is to be made, will conclude if such a need exists

<u>Less:</u>			
Deferred tax liabilities	189	108	81
Other provisions	138	17	121
Current liabilities	404	206	198
<b>Operating Capital</b>	<b>1 432</b>	<b>564</b>	<b>868</b>

## **The Offer**

The Offer consideration is a combination of cash and shares of class B in the new Cloetta.<sup>10</sup> The Offer consists of SEK 202 in cash and 0.92 shares of class B<sup>11</sup> in the new Cloetta for each share in the remaining Cloetta Fazer, which upon full acceptance in the Offer represents a consideration of in total approximately SEK 2.5 billion and approximately 11.5 million shares of class B in the new Cloetta.<sup>12,13</sup>

No commission will be charged in connection with the Offer.

Shareholders accepting the Offer can thereby, in addition to a whole number of shares, be entitled to fractions of shares in the new Cloetta as payment for the shares in the remaining Cloetta Fazer. Fractions of shares will, however, not be issued, but instead these fractions of shares in the new Cloetta will be consolidated and sold on the OMX Nordic Exchange Stockholm as soon as possible after Fazer's decision to complete the Offer. The sales proceeds will be allocated *pro rata* between the shareholders concerned in the remaining Cloetta Fazer.

Prior to the Offer, Fazer owns 2,300,000 shares of class A and 2,697,027 shares of class B representing approximately 20.7 per cent of the share capital and 38.9 per cent of the votes in Cloetta Fazer.

## **Support of the Offer from principal shareholders**

Malfors, and a number of private persons connected to Malfors, with a total holding representing approximately 26.6 per cent of the share capital and approximately 41.8 per cent of the votes in Cloetta Fazer, have committed to accept the Offer and to vote for the proposals at the general meetings in Cloetta Fazer that will be submitted pursuant to the de-merger and the Offer.

A number of affiliates to Fazer, with a total holding representing approximately 27.4 per cent of the share capital and approximately 10.0 per cent of the votes in Cloetta Fazer, support the Offer and have committed to transfer their shares in Cloetta Fazer to Fazer or its subsidiary and to vote for the proposals at the general meetings in Cloetta Fazer that will be submitted pursuant to the de-merger and the Offer.

Shareholders that have committed to support the Offer hold, together with shares held by Fazer, 4,658,901 class A shares and 13,355,314 class B shares, which corresponds to in total approximately 74.7 percent of the share capital and approximately 90.7 percent of the votes in Cloetta Fazer.

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<sup>10</sup> Fazer will re-classify all their class A shares to class B shares in the new Cloetta

<sup>11</sup> The Offer will not be adjusted if the annual general meeting in Cloetta Fazer on 16 June 2008 resolves on a dividend of SEK 10 per share in accordance with the board of directors' proposal

<sup>12</sup> The information on total amount and total number of shares is based on that certain affiliates to Fazer sell their shares in Cloetta Fazer outside of the Offer, and thus do not receive any shares in the new Cloetta

<sup>13</sup> Any remaining shares in the new Cloetta received by Fazer after having paid the consideration will be acquired by Malfors at a price of SEK 45.60 per share. This price shall not be deemed as a market value, but forms a part of the principal shareholders' agreement. Malfors has committed to offer the shareholders in Cloetta Fazer that have accepted the offer, in proportion to the number of shares in Cloetta Fazer that the respective shareholders have tendered in the Offer, to acquire these shares from Malfors at the same conditions as offered to Malfors. In order to avoid that Malfors is given special treatment as shareholder in Cloetta Fazer, this construction has been confirmed by the Swedish Securities Council (statement AMN 2008:18)

## **Conditions to the Offer**

Completion of the Offer is conditional upon:

1. that Cloetta Fazer's shareholders, by a majority vote, resolve on a dividend in the form of shares in the new Cloetta under the so-called Lex Asea rules to the shareholders of Cloetta Fazer and that the record date for receiving such shares will occur no later than 9 January 2009;
2. that all necessary approvals and clearances from relevant authorities, including competition and financial supervisory authorities, in connection with the Offer, its implementation or the acquisition of the shares in Cloetta Fazer by Fazer have been obtained on terms acceptable to Fazer;
3. that neither the Offer nor the acquisition of the shares in Cloetta Fazer have been rendered partially or wholly impossible or significantly impeded as a result of legislation, regulation, any decision of court, public authority, the Swedish Securities Council or other comparable measures beyond Fazer's control; and
4. that the Swedish Companies Registration Office registers the reclassification of Fazer's class A shares in the new Cloetta to class B shares.

Fazer reserves the right to withdraw the Offer in the event that it is clear that any of the above conditions are not fulfilled or can not be fulfilled. However, with regard to conditions 2-4, such withdrawal will only be made provided that the defective fulfillment of such condition is of material importance to Fazer's acquisition of shares in Cloetta Fazer.

Fazer reserves the right to waive, partially or wholly, one or more of the conditions above.

The Offer is not conditional upon a 90 per cent acceptance level or any other acceptance level.

The Offer is intended to be financed through equity and to a certain extent through external and unconditional debt financing.<sup>14</sup>

## **Indicative timetable**

The acceptance period for the Offer is expected to begin on 1 December 2008 and end around 22 December 2008.<sup>15</sup> In connection with the commencement of the acceptance period of the Offer, the shares in the new Cloetta will be received by the shareholders of Cloetta Fazer, provided that such resolution is made at the general meeting of Cloetta Fazer during the fall of 2008. The record date with the VPC for receiving shares in the new Cloetta is expected to take place during the first week of December.

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<sup>14</sup> In case the Offer formally is made through a subsidiary to Fazer, Fazer undertakes to contribute with sufficient financing as needed to complete the Offer

<sup>15</sup> The Swedish Securities Council has given an exemption to the effect that Fazer is entitled to draft and file an offer document regarding the Offer for approval with the Swedish Securities Council not later than 30 November 2008 (Statement 2008:18)

An offer document regarding the Offer will be made public before commencement of the acceptance period and will be distributed to the shareholders in Cloetta Fazer in connection therewith. Settlement is expected to begin about a week after the end of the acceptance period.

Fazer reserves the right to extend the acceptance period, as well as to postpone the settlement date.

The acquisition of the remaining Cloetta Fazer requires approvals from relevant competition authorities. The necessary approvals are expected to be obtained before the end of the acceptance period.

### **De-listing and compulsory purchase**

Depending on the acceptance level in the Offer and on the shareholder structure after the completion of the Offer, Fazer may act to de-list the shares in the remaining Cloetta Fazer from the OMX Nordic Exchange Stockholm.

In the event that Fazer becomes the holder of more than 90 per cent of the number of shares in the remaining Cloetta Fazer, Fazer intends to call for compulsory purchase of the then outstanding minority shares in the remaining Cloetta Fazer.

### **Applicable law and disputes**

The Offer shall be governed by and construed in accordance with the laws of Sweden. Further, the OMX Nordic Exchange Stockholm's rules regarding takeover offers (the "Takeover Rules") and the Swedish Securities Council's rulings regarding interpretation and application of the Takeover Rules<sup>16</sup> apply to the Offer. In accordance with the Swedish Act on Public Takeover Bids on the Stock Market, Fazer has contractually agreed with the OMX Nordic Exchange Stockholm to comply with the foregoing and to submit to any sanctions imposed by the OMX Nordic Exchange Stockholm upon breach of the Takeover Rules.

The courts of Sweden shall have exclusive jurisdiction over any dispute arising out of or in connection with the Offer and the City Court of Stockholm shall be the court of first instance.

This press release is not and must not, directly or indirectly, be distributed or made public in the United States, Australia, Canada, Japan, New Zealand or South Africa. The Offer is not being made to persons in those jurisdictions or elsewhere where their participation requires further offer documents, filings or other measures in addition to those required by Swedish law.

This press release has been announced in several language versions. In the event of any discrepancy between the language versions the Swedish language version shall prevail.

### **Advisors**

Fazer has retained Advium Corporate Finance, eQ Bank Ab as financial advisor and Advokatbyrå Hannes Snellman Ab and Advokatfirman Vinge KB as legal advisors in connection with the Offer.

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<sup>16</sup> Including its rulings with respect to the rules on public offers for the acquisition of shares issued by the Swedish Industry and Commerce Stock Exchange Committee

Helsinki, 16 June 2008

**Oy Karl Fazer Ab**

*Board of directors*

**Press conference**

A press conference will be held today at 10.00 in World Trade Center, Stockholm, conference room New York. For participation, please e-mail to [information@cloettafazer.se](mailto:information@cloettafazer.se).

There is a possibility to listen in on the conference: Please use the following dial-ins: SE: +46 (0)8 505 598 53.

For more information on the de-merger, please see also [www.fazer.com](http://www.fazer.com) for other press releases on the subject and Cloetta Fazer's communication at [www.cloettafazer.com](http://www.cloettafazer.com).