



2021

FINANCIAL REVIEW



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CORPORATE GOVERNANCE

The Corporate Governance of Oy Karl Fazer Ab (Fazer Group, Fazer or Group) follows the rules and regulations defined by the Articles of Association, the Finnish legislation and the corporate governance principles, which are based on the Finnish Companies Act and, to some extent, the recommendations for listed companies in Finland, the 2020 Corporate Governance Code.

The aim of the Corporate Governance is to support good corporate governance in the Group, maintaining and promoting high quality of decision-making and administration.

SHAREHOLDERS' GENERAL MEETING

The General Meeting of Shareholders hold the highest power of decision in Fazer Group. The Annual General Meeting must be held within six months after the end of the financial year, at the latest in June in Helsinki or Vantaa. The Annual General Meeting addresses issues it is responsible for, according to current legislation and Fazer's Articles of Association, such as adoption of the consolidated and parent company's financial statements, deciding on discharging the Board of Directors as well as President and CEO from liability, deciding on dividend distribution, appointing the Board of Directors and Auditors as well as deciding on their compensation.

According to the Articles of Association, notices of meetings for the General Meeting are sent by regular mail at the latest 14 days before each General Meeting.

An Extraordinary General Meeting must be held, for example, when the Board of Directors considers it necessary.

OWNER'S COUNCIL AND NOMINATION COMMITTEE

The Owners' Council, appointed by the shareholders, appoints and convenes the Nomination Committee, which is responsible for preparing proposals regarding the composition of the Board of Directors and the compensation of Board members.

The Nomination Committee consists of one Owners' Council representative, the Chairman of the Board of Directors and one independent Board member.

BOARD OF DIRECTORS

Composition of the Board of Directors

According to Fazer's Articles of Association, the Board of Directors consists of no less than five and no more than ten members who are elected annually at the General Meeting of Shareholders.

In 2021, the Board of Directors comprised of Casper von Koskull (Chairman), Elisabeth Dreijer von Sydow, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow, Juhani Mäkinen and Laura Tarkka. The majority of the Board members were independent of the Company and significant shareholders.

Principles concerning the diversity of the Board of Directors

The Board of Directors has adopted the following principles and targets concerning the diversity of the Board of Directors. When designing the composition of the Board of Directors the Board composition is assessed from the viewpoint of the company's current and future business needs while considering the diversity of the Board. The diversity of the Board of Directors will be assessed from various viewpoints. Fazer's Board of Directors shall have sufficient and complementary experience and expertise in the key industries and markets relevant to Fazer's business. In addition, skills and experiences relevant to Fazer, industrial knowledge as well as personal qualities and integrity. Consideration shall also be given to the requirements set by the Fazer's operations, geographical presence, its development stage and future ambitions. An appropriate diversity is further promoted by e.g. gender and age. The objective is that both genders shall be represented on the Board and the aim of Fazer shall be to strive towards a good and balanced gender distribution. In 2021, Fazer had three female board members out of eight members in total.

Duties and tasks

The Board of Directors has general jurisdiction in all issues that are not required of other institutions under the Finnish Companies Act and the Group's Articles of Association. Under the terms of the Finnish Companies Act, the Board of Directors is responsible for ensuring that the Group's administration and operations are

managed appropriately. The Board of Directors has a general obligation to pursue the best interests of the Company and all of its shareholders, to which is it accountable.

The Board of Directors is responsible for:

- ensuring that accounting and financial control are managed appropriately
- approving the Group's values and strategy
- approving annual business plans
- deciding on strategic acquisitions, divestments and strategic investments
- monitoring the financial performance and position of the Group
- appointing the Chief Executive Officer (President and CEO) and deciding on the remuneration of the Group's senior management

In addition, the Board of Directors assesses its own performance and cooperation with the management.

Meeting practices

The Board of Directors holds at least eight meetings per year. The Financial Statements are adopted in April at the latest. The Group's strategy is revised and approved whenever necessary. The business plans for the year and bonus programmes for senior management are approved at the beginning of the year. Additional meetings can be convened, if necessary, by the Chairman of the Board, the President and CEO or a member of the Board.

To discharge its responsibilities properly, the Board of Directors shall meet as often as necessary. In 2021, the Group's Board of Directors convened 16 times. Major items on the agenda of the

Board of Directors were the evaluation and implementation of Fazer's strategy and the company's financial development. The impact of the COVID-pandemic on the business and operating environments continued to be a key topic. Other important topics discussed included responsibility, production development, acquisitions, and personnel and competence development.

Chairman of the Board of Directors

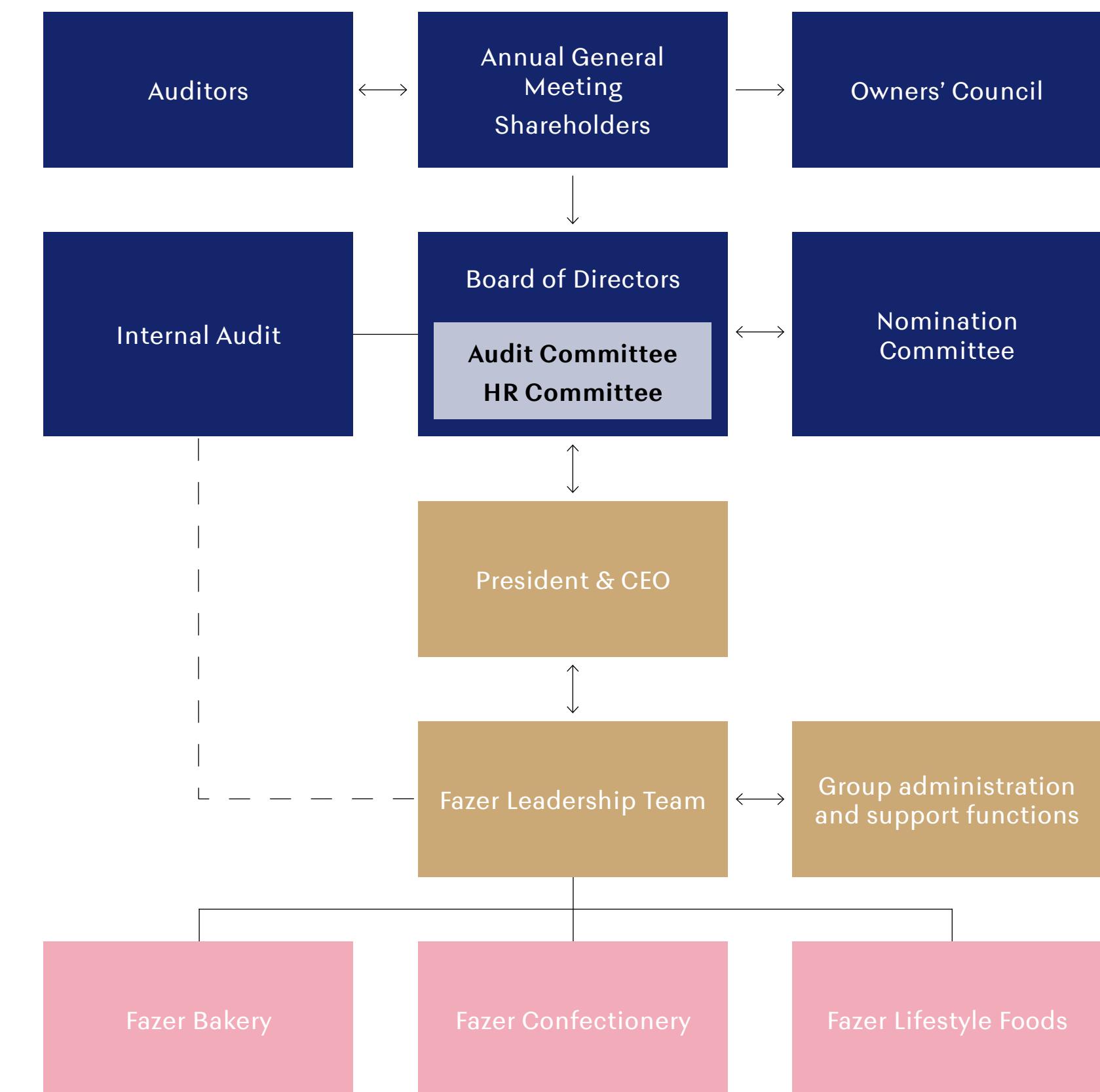
The Board of Directors appoints a chairman from amongst its members. The Chairman of the Board of Directors is responsible for managing the activities of the Board, convening the Board and preparing Board meetings in cooperation with the President and CEO. The Chairman works closely and actively with the President and CEO and should be well informed on significant issues affecting the Group and its stakeholders. The Chairman and the President and CEO are responsible for ensuring that the members of the Board are informed about matters concerning the Group and that notices of meetings, agendas and all relevant documents are delivered to the members of the Board of Directors well in advance of meetings.

The Chairman and the President and CEO are also responsible for maintaining contact with the Owner's Council.

Committees of the Board of Directors

The Board of Directors nominates committees and appoints committee members. Committees are responsible for preparing issues coming up for decision at the Board of Directors' meetings. Fazer's Board of Directors appoints annually an Audit Committee and an HR Committee.

Governance model



Audit Committee

The task of the Audit Committee is to assist the Board of Directors in its responsibilities related to the appropriate arrangement of the control of the Group's accounts and finances. The Audit Committee monitors the Group's financial situation, the financial statement reporting processes, the efficiency of internal control, internal auditing and risk management systems, monitors the statutory audit of financial statements and consolidated financial statements, evaluates the independence of the statutory audit firm, and prepares the proposal for resolution on the election of the auditor.

In 2021, the Audit Committee comprised of Jan Fazer (Chairman), Ketil Eriksen, Juhani Mäkinen and Laura Tarkka. The Committee held four meetings during the financial period and, apart from ordinary issues, it dealt with questions related to e.g., information security, the development of non-core assets, compliance upgrade projects and the impact of COVID-19 on business risk.

HR Committee

The task of the HR (Human Resources) Committee is to assist the Board of Directors in its responsibilities related to employment and rewarding of the President and CEO and the Group's senior management, monitoring the total compensation of the management and incentive programmes of the personnel and to evaluate the management's work including reviewing the employee satisfaction survey results.

The HR Committee comprised of Casper von Koskull (Chairman), Johan Linder and Cecilia Marlow. The Committee met four times

during the financial period and prepared issues for the Board related to, for example, the Fazer people strategy, leadership development, and incentive programmes of the personnel.

PRESIDENT AND CEO AND DEPUTY TO THE PRESIDENT AND CEO

Fazer's Board of Directors appoints and dismisses, if needed, the President and CEO. Under the requirements of the Finnish Companies Act, the President and CEO is responsible for the day-to-day administration of the company, in line with the instructions of the Board of Directors, and for ensuring that the company's accounting is carried out in accordance with legal requirements and that the company's financial management is handled appropriately. The President and CEO reports to the Board of Directors and informs the Board of Fazer's operating environment, e.g., customers, competition and market situation and Fazer's financial position and development. The President and CEO is supported by the Fazer Leadership Team and the Deputy President and CEO, who is nominated by the Board of Directors, when needed. Christoph Vitzthum is Fazer Group's President and CEO and Jouni Grönroos is the Deputy President and CEO.

FAZER LEADERSHIP TEAM (FLT)

The Fazer Leadership Team consists of the President and CEO (Chairman), the Managing Directors (MD) of the Business Areas, and the Heads of certain Group functions. The duties of the Fazer Leadership Team are to support the President and CEO in his/her tasks and to draft propositions to the Board. The Fazer Leadership Team also coordinates operations across the Group and secures efficient operations on Group level among other things. In 2021, the Fazer Leadership Team comprised **Christoph Vitzthum**

(President and CEO, Chairman), **Jenni Gallagher** (EVP, People), **Jouni Grönroos** (CFO & Deputy President and CEO), **Markus Hellström** (MD Fazer Confectionery), **Sebastian Jägerhorn** (EVP Legal & Compliance), **Joséphine Mickwitz** (EVP Communications & Sustainability) and **Lara Saulo** (MD, Fazer Bakery). **Mats Liedholm**, MD Fazer Lifestyle Foods, was a member of the FLT until the end of October.

Fazer Group also has an extended Fazer Leadership Team. In addition to the members of Fazer Leadership Team, the extended Fazer Leadership Team also includes VP, Marketing, Fazer Group **Aaron Barsness** (from 1 January 2022 EVP, Group Marketing and member of the FLT), the Managing Director of Fazer Bakery Finland **Marko Bergholm**, the Managing Director of Fazer Bakery Baltics **Klavs Berzins** (until August 2021) and **Anne Mere** (from September 2021), Head of Fazer Group Procurement **Bengt Erlandsson**, the Managing Director of Fazer Bakery Russia **Vladimir Kalyavin**, the Managing Director of Fazer Bakery Sweden **Petri Kujala** until May 2021 and from June 2021 **Patrik Hellgren**, the Managing Director of Fazer Sweden **Mats Liedholm** from November 2021, the Managing Director of Commercial Units at Fazer Confectionery **Tom Lindblad** and the Managing Director of Fazer Retail **Johan Rosenblom**.

REMUNERATION

Remuneration of the Board

The Annual General Meeting decides on the remuneration of the Board members based on the recommendation of the Shareholders' Nomination Board. The remuneration of the Board of Directors consists of an annual fee and meeting fee. The meeting fee is paid for every meeting attended.

The Board members do not receive shares or share derivatives as remuneration for their membership nor do they participate in Fazer's incentive programs.

In 2021, remuneration to the Board of Directors totalled EUR 583 thousand.

Remuneration of the President and CEO and the Fazer Leadership Team

The Board of Directors decides on the compensation and benefits of the President and CEO. The Chairman of the Board of Director approves the salary and other benefits of the Fazer Leadership Team. The remuneration of the President and CEO and the Members of the Fazer Leadership Team consists of a fixed monthly salary, fringe benefits, an annual short-term incentive, other benefits and a long-term incentive plan, which is intended as a long-term reward. The annual bonus is determined on the basis of Fazer's financial performance.

Short-term incentives

The Short-term incentives (STI) are based on Fazer's financial performance. The criteria for payments are typically LTAF (Lost Time Accident Frequency), consolidated result, result of the business area or business unit as well as functional targets.

Long-term incentives

Fazer Long-term Incentive (LTI) is an incentive programme aiming to drive the success of the company and to engage and motivate key employees to strive for company's long-term success.

LTI target group is defined annually by Fazer's Board of Directors. The criteria for eligibility is a role in Fazer Leadership Team, Extended Fazer Leadership team, Business Area Management Team or other key Leader role. In order to be eligible for the LTI bonus program and payment, employee needs to work 8 months in LTI eligible position during the program year and to be employed by Fazer Group at the time of the respective LTI payment. LTI payment is approved by Fazer Board of Directors. LTI bonus percentage is defined based on the employee's job grade (Fazer Job Grade, FJG) and equals the percentage used in yearly short-term performance bonus.

The Board of Directors resolves on the plan's performance criteria and on the performance levels at the beginning of each performance period. The key employees will receive the incentive, if the performance levels of the performance criteria, set by the Board of Directors, are achieved. Once the LTI has been approved by the Fazer Group Board of Directors, 1/3 of the earned LTI bonus is paid in cash. For commitment creation, 2/3 of the earned LTI bonus is banked in the account. 1/3 is paid 2nd and 1/3 3rd year.

Period of notice and retirement

The President and CEO's period of notice is six (6) months for the individual and twelve (12) months for the Company unless otherwise decided on a weighty ground. If the President and CEO's executive contract is terminated, any payable remuneration is determined in compliance with local legislation, Company policies, contractual obligations and the terms and conditions of the applicable short- and long-term incentive and benefit plans. Any severance payment in the event that the Company terminates the

President and CEO agreement will not generally exceed the value of twelve (12) months' fixed base salary and financial benefits (excluding bonus). The President and CEO has the possibility to retire at 62 years of age. The President and CEO is entitled to a supplementary pension that exceeds the statutory scheme. Some of the members of the Fazer Leadership Team have a collective pension arrangement, which gives them the right to retire at the age of 62.

EUR thousand	2021	2020
President and CEO and Fazer Leadership Team		
Paid salary	2,255	2,174
Short-term benefits	1,110	2,956
Long-term benefits	1,089	693
Total salary	4,454	5,823
Fringe benefits	66	89
Total	4,520	5,912

AUDIT

The Group's auditors are appointed by the Annual General Meeting for a term of one year. The auditors are responsible for auditing the Group's accounts, financial statements and administration. The details of these duties are contained in the relevant legislation and regulations covering good auditing practices. The auditors participate in the Annual Meeting of the Board of Directors devoted to consideration of the Group's Financial Statements and to meetings of the Audit Committee.

The 2021 Annual General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with Martin Grandell, Authorised Public Accountant, acting as the principal auditor.

INTERNAL CONTROL AND RISK MANAGEMENT

The purpose of internal control and risk management is to ensure that the company's operations are effective, that financial and other information is reliable, and that the company complies with the relevant regulations and operating principles. The Board of Directors, assisted by the Audit Committee, is responsible for monitoring and assessing the effectiveness of the company's internal control and risk management systems. Internal audit assists the Board of Directors with its monitoring responsibility by ensuring that the group's control measures have been planned and set up effectively.

Internal Audit

The role of Fazer's internal audit is to enhance and protect organisational value by providing independent, objective assurance and to contribute to the continuous improvement of risk management and internal controls. Internal Audit reports to the Audit Committee. Internal Audit conducts audit assignments according to the annual audit plan that is approved by the Audit Committee. The results of these assignments are regularly reported to Group Management, auditors and the Audit Committee.

Risk management

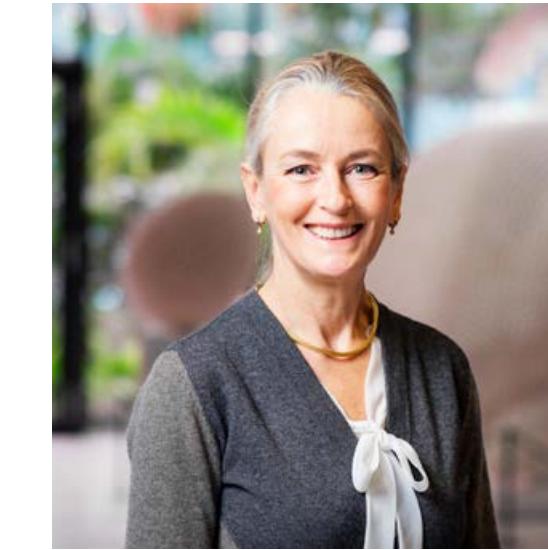
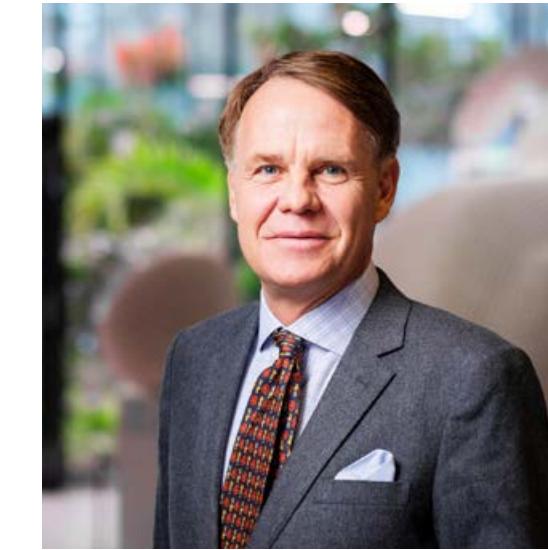
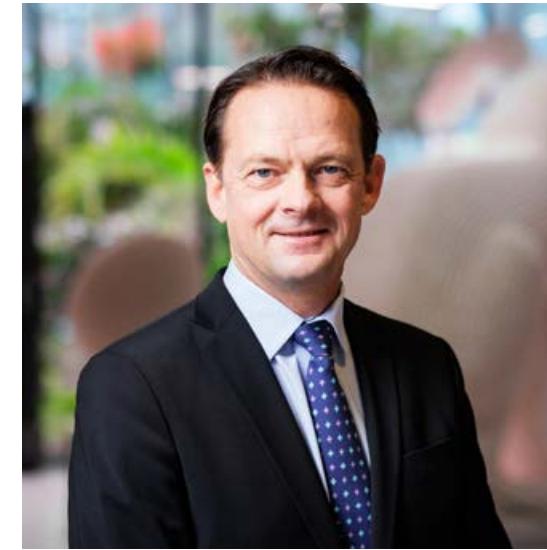
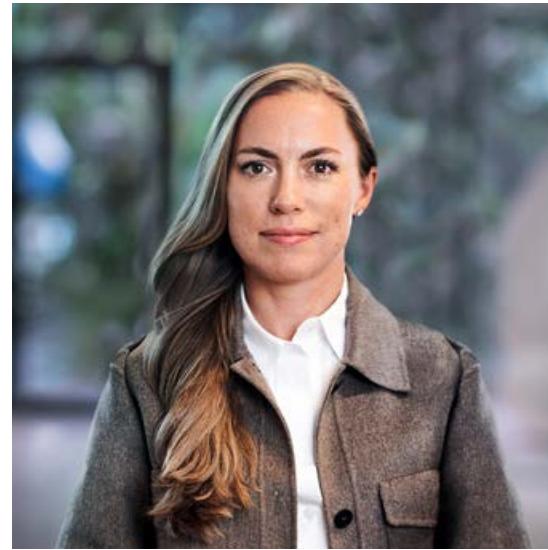
Risk management is an important part of the management system of Fazer Group. The Board of Directors approves the risk management policy and monitors its compliance. Risk management is a continuous and systematic process, and its task is to support the implementation of the Group's strategy and business targets, secure the recognition of risks affecting the company's business, assess, monitor and anticipate threats and

opportunities affecting business and secure the continuity of operations.

The management of the Business Areas, Business Units and Group functions is responsible for the identification and evaluation of the risks of their respective areas and for mitigating these risks as part of their operative activities. Financial risks are administered by Group Finance. The Group's Chief Financial Officer (CFO) is responsible for the management and development as well as reporting of risk management to the Board and the Audit Committee. The CFO also supports the Business Areas, Business Units and Group functions in risk management.

Fazer defines risk as external or internal uncertainty that may affect the Group in the execution of its strategy, achievement of its goals or continuity of its businesses. Risks may be caused by events within Fazer, or by external conditions or events. For the identification and monitoring of risks, these are divided into four categories: strategic risks, operational risks, hazard risks and financial risks.

BOARD OF DIRECTORS

**Casper von Koskull**

b. 1960

Chairman of the Board of Directors 2021–

Chairman of the HR Committee

Master of Science (Economics and Business Administration)

Elisabeth Dreijer von Sydow

b. 1985

Member of the Board of Directors 2021–

Member of the HR Committee

Master of Science (Business Administration, Intellectual Capital Management)

Ketil Eriksen

b. 1963

Member of the Board of Directors 2009–

Member of the Audit Committee

Bachelor of Science (Economics)

Jan Fazer

b. 1975

Member of the Board of Directors 2012–

Chairman of the Audit Committee

Johan Linder

b. 1959

Member of the Board of Directors 2000–

Member of the HR Committee

Master of Laws

Cecilia Marlow

b. 1960

Member of the Board of Directors 2016–

Member of the HR Committee

Master of Business Administration

Juhani Mäkinen

b. 1956

Member of the Board of Directors 2006–

Member of the Audit Committee

Master of Laws, lagman

Laura Tarkka

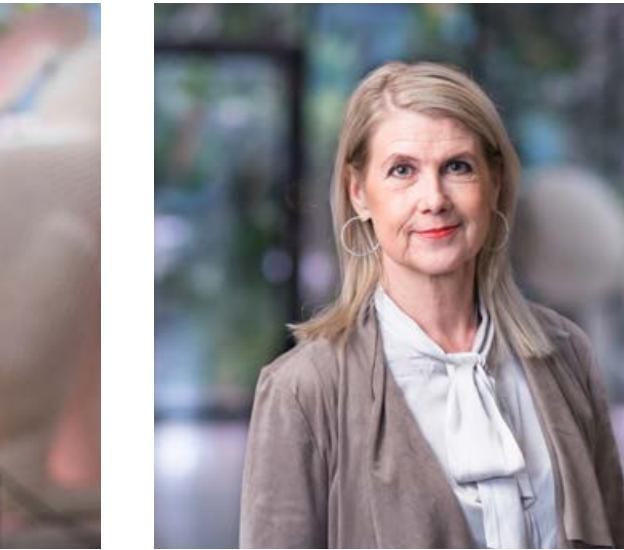
b. 1970

Member of the Board of Directors 2021–

Member of the Audit Committee

Master of Science (Engineering)

FAZER LEADERSHIP TEAM

**Christoph Vitzthum**

b. 1969

President and CEO,
acting Managing Director
Fazer Lifestyle Foods,
Fazer Group
Master of Economic
Sciences

Jenni Gallagher

b. 1972

Head of People and
Executive Vice President,
Fazer Group
Bachelor of Arts
(Business & Human
Resources Management),

Jouni Grönroos

b. 1965

CFO and Deputy CEO,
Fazer Group
Master of Economic
Sciences

Markus Hellström

b. 1974

Managing Director,
Fazer Confectionery and
Executive Vice President,
Fazer Group
Master of Science
(Engineering)

Sebastian Jägerhorn

b. 1969

Legal and Executive Vice
President, Fazer Group
Master of Laws,
Master of Economic
Sciences

Joséphine Mickwitz

b. 1968

Communications &
Sustainability and
Executive Vice President,
Fazer Group
Master of Economic
Sciences

Lara Saulo

b. 1972

Managing Director,
Fazer Bakery and
Executive Vice President,
Fazer Group
Master of Economic
Sciences

BOARD OF DIRECTORS' REPORT

BUSINESS MODEL

Fazer is an international family-owned FMCG company, offering bakery, confectionery, plant-based, on-the-go products and café services in the Nordics, Baltics, Russia and more than 40 other countries. Fazer is also a major player in the Nordic milling market, and a growing player in food technology. The Group has three business areas - Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods, as well as common operations.

Fazer sells bakery products to more than 20 countries. In Finland, the company's bakeries are located in Vantaa, Lahti and Lappeenranta. Fazer also has 120 (end of 2021) shop-in-shop bakeries in grocery stores. The shop-in-shop bakery concept has also been extended to the Baltic countries and Fazer currently has 10 shop-in-shop bakeries in Estonia. The Baltic bakeries are located in Ogre in Latvia and Kaunas in Lithuania. In Sweden, Fazer has three bakeries in Umeå, Eskilstuna and Lidköping. In Russia, Fazer focuses on the country's main markets in St Petersburg and Moscow. The Smolenskaya, Murinskaya and Neva bakeries are located in St Petersburg and the Zvezdnaya bakery in Moscow.

Fazer's confectionery business consists of confectionery, biscuit and crisps, Fazer Cafés, Gateau bakery shops and Travel Retail. Fazer's confectionery production is located in Vantaa and Lappeenranta. The business area sells its products to more than 40 countries through its extensive customer network and consumer channels.

Founded in 2017, Fazer Lifestyle Foods' product range includes plant-based snacks and drinks made from oats, as well as Froosh smoothies. Fazer Mills, located in Lahti, Finland and Lidköping, Sweden, sell their products primarily to B2B customers. Non-dairy products are manufactured at the Koria factory in Finland.

Changes to the business model in 2021

Fazer continued to actively develop the company throughout the year. In the spring, Fazer Bakery Sweden introduced a new operating model, including a resale and distribution agreement with Polfärskt and the discontinuation of Fazer's own field sales and distribution organisation. In September the Lund bakery was closed.

During the year, a new operating model was introduced at Fazer Lifestyle Foods, comprising five independent business units with responsibility for all aspects of operations. In addition, programmes were implemented to develop key areas. A new business unit, Fazer Foodtech, was also established to accelerate Fazer's innovation programme and strengthen Fazer's position as an innovation company. The market for plant-based products grew in Finland and consumer choices continued to shift from milk to plant-based beverage options. Demand for plant-based products was strong and clearly exceeded Fazer's production capacity during the period. To accelerate organic growth, Fazer invested in increasing the capacity of plant-based products and improving the efficiency of operations at the Koria plant. In the autumn, the expansions of Fazer's oat mills in Sweden and Finland were opened. This doubled Fazer's oat milling capacity. In

December, Fazer announced an agreement to acquire Trengsums Food, a Swedish market-leading producer of plant-based drinks. The ramp up of operations in Fazer's state-of-the-art xylitol plant in Lahti started in the autumn. All these measures significantly strengthened Fazer Lifestyle Foods' position in the fast-growing global oat market in line with Fazer's oat strategy.

After the end of the financial year, Fazer announced plans to invest in a new confectionery factory in Finland. If these plans materialise, the new factory would replace the existing confectionery factories in Vantaa and Lappeenranta. The change would take effect in 2025 at the earliest, with a possible construction decision and a decision on the location of the new factory to be taken in 2022.

FAZER GROUP'S STRATEGY

Fazer is financially strong and has a clear strategy for the future. Future growth is sought both organically and through M&A opportunities.

To drive top-line growth and profitability, Fazer focuses on six strategic focus areas:

1. building an even stronger position as the number one FMCG brand in Finland
2. accelerating growth through innovations, on-trend categories and foodtech
3. developing leading positions in Northern Europe

4. excelling in ways of working to become the industry leader in profitability
5. developing food as a solution for a more sustainable planet and business
6. developing the culture and driving critical capabilities to enable continuous success

Strategy implementation in 2021

- A new operating model was introduced in Fazer Bakery Sweden, including a re-seller and co-distribution agreement with bakery sales company Polfärskt, and reducing the number of bakeries from four to three. The new operating model increases Fazer's agility and service levels for customers and builds a more sustainable and environmentally friendly way of operating the bakery business.
- A new business structure was established in Fazer Lifestyle Foods, including five Business Units with end-to-end responsibility to better reflect and answer to customer and consumer demands. One of the new Business Units is Fazer Foodtech, which will strongly fuel Fazer's plant-based consumer offering, making it pivotal for further strategic development. Foodtech will play an important role in Fazer's transformation into a modern and innovative food company, guiding the way in the evolving food industry.
- Fazer invested in the manufacturing of oat products in Vantaa, by building a new bakery production line for portion bread which uses state-of-the-art technology and renewing a production line at its chocolate factory to produce oat-based Fazer Oat Choco products. The new production lines will start during 2022.

- Fazer's milling capacity was expanded both in Lahti in Finland and in Lidköping in Sweden and the ramp up of the company's state-of-the-art xylitol factory in Lahti started.
- Fazer strengthened its position in gluten-free bakeries through the strong performance of the gluten-free portfolio and the introduction of a dozen gluten-free novelties to the market.
- The expansion of Fazer's shop-in-shop bakery network in Finland and the Baltics continued. At the end of December Fazer Bakery had 130 shop-in-shops in total.
- The expansion of Fazer's retail network continued by opening five new Fazer Cafés in Finland and Gateau bakery shops in Finland and Sweden.
- Fazer signed an agreement to acquire Trengsums Food AB, a Swedish market-leading producer of plant-based drinks, with a strategic focus on oat drinks.
- The company excelled in its ways of working to become the industry leader in profitability, through several on-going transformation programmes and efficiency improvement activities.
- Continued focus on Fazer's brand promise Northern Magic. Made Real. and strengthening the Fazer consumer brand.
- The company focused strongly on ESG by, among others, broadening its sustainability scope and defining its Sustainability Ambitions, setting Science-Based Targets and defining related emission reduction roadmaps for all Business Areas, redefining the Group's ESG governance structure, renewing specific raw material commitments, and working with suppliers regarding the Group's updated Supplier Code of Conduct.

FAZER GROUP DEVELOPMENT 2021

The year 2021 in brief

In 2021, Fazer, celebrating its 130th anniversary during the year, continued its solid performance. The year was once again characterized by the COVID-19 pandemic and its impacts on the global economy. The company continued to prioritise its employees' health and safety, as regulations and restrictions on travel and movement influenced ways of working, and business continuity was secured. During the year Fazer was challenged not only by the continued pandemic, but also by the rising costs and availability for raw materials, packaging materials and logistics. Increasing wages and energy costs also affected the business. While Fazer was not totally unaffected by the crisis, its proactive mitigation actions, strong brand and beloved products combined with bold innovations clearly supported the resilience of the business. As a result, Fazer Group's net sales grew but operating profit decreased compared to the previous year.

Net sales and profitability

Fazer Group's net sales increased by 4% compared to the previous year and totalled EUR 1,139.8 million (1,101.2). Fazer Bakery's net sales totalled EUR 553.9 million (548.0), Fazer Confectionery's EUR 433.5 million (400.1) and Fazer Lifestyle Foods' EUR 179.5 million (177.3).

Net sales by business, MEUR	1-12/2021	1-12/2020	1-12/2019
Fazer Bakery	553.9	548.0	555.6
Fazer Confectionery	433.5	400.1	409.4
Fazer Lifestyle Foods	179.5	177.3	158.1
Common operations	18.1	15.1	16.7
Eliminations	-45.2	-39.2	-42.8
Net sales, total	1,139.8	1,101.2	1,097.0

In 2021, Fazer Bakery's net sales development continued stable, and totalled EUR 553.9 million (548.0). The active development of the Bakery business continued during the year and a new operating model in Fazer Bakery Sweden, including a distribution agreement with Polfärskt, was introduced. The Bakery in Lund was closed in September. The new model has been successful, and positive results can already be seen in terms of improved profitability, customer service and reduced environmental footprint. In Russia, demand was strong, especially in bake-off.

The Russian business was, however, particularly challenged by the increases in raw material prices as well as the limited availability of production personnel. Fazer Bakery Finland had a very successful year with strong performance: 17 new shop-in-shop bakeries were opened, bringing their number to a total of 120. Fazer Bakery shop-in-shops already employ a total of 700 people in Finland. Fazer's retail customers' interest in the concept remains high and the expansion of the bakery network is expected to continue. The successful bakery shop-in-shop concept has also been brought to Estonia, where there are currently 10 shop-in-shop bakeries, five of which opened in 2021.

Fazer Confectionery performed particularly well during the year and net sales increased by 8% to EUR 433.5 million (400.1), with all time high sales in the last quarter of the year. The commercial performance was strong, with excellent growth in e.g., countlines, gifts and seasonal. Although the volatility in the Fazer Retail business, caused by continuously changing restrictions, continued throughout the year, a partial recovery from 2020 could be seen. The Travel Retail business also started to recover from the very low numbers in 2020 but remained clearly at a lower-than-normal level.

Fazer Lifestyle Foods' net sales were stable at the previous year's level and totalled EUR 179.5 million (177.3). The development of the business continued, and the business was reorganised into five business units to bring out the full potential in terms of top line growth and efficiency. In the autumn, the inauguration of the company's new oat mills in Sweden and Finland took place. Through the expansion Fazer's oat milling capacity was doubled in both markets. The ramp up of operations in the new xylitol factory was also started.

Net sales by country, MEUR	1-12/2021	1-12/2020	1-12/2019
Finland	638.5	615.3	583.3
Sweden	218.6	230.8	230.0
Russia	157.4	147.9	168.2
Estonia	23.5	19.9	21.3
Latvia	15.5	14.8	14.9
Norway	15.5	7.5	8.7
Lithuania	14.0	13.6	12.3
Denmark	13.8	14.8	13.8
Other countries	42.9	36.8	44.6
Net sales, total	1,139.8	1,101.2	1,097.0

Fazer Group's 2021 operating profit totalled EUR 39.9 million (51.9), representing 3.5% (4.7%) of net sales. All businesses were burdened by increasing raw material and packaging material prices, energy, and transportation costs as well as salary inflation.

	1-12/2021	1-12/2020	1-12/2019
Operating profit, MEUR	39.9	51.9	49.1
Operating profit, %	3.5%	4.7%	4.5%
Return on equity, %	3.5%	58.8%	13.4%
Equity ratio, %	68.3%	70.7%	52.6%
Gearing, %	-10.9%	-22.8%	22.5%

Net financial items amounted to EUR 5.6 million (-10.1). The significant improvement of the financial items was mainly attributable to exchange rate differences. Profit before taxes increased to EUR 45.6 million (41.8) and the result for the period totalled EUR 32.0 million (440.4 million, including a gain of 414.3 million from the sale of Fazer Food Services in January 2020 as well as the Fazer Food Services' result for the period of January 2020).

Financial position and cash flow

Fazer Group's cash flow from operating activities amounted to EUR 77.5 million (152.4). The decrease was mainly due to working capital development. Cash and cash equivalents amounted to EUR 226.5 million (345.6). Interest-bearing net debt totalled -95.2 million (-213.3) and gearing was -10.9% (-22.8%). At the end of December, the consolidated balance sheet amounted to EUR 1,278.2 million (1,322.8). The Group's equity ratio was 68.3% (70.7%).

Capital expenditure

Capital expenditure amounted to EUR 82.4 million (104.1), excluding investments in financial assets. The majority of the large investments were done in Fazer Lifestyle Foods and related to the new xylitol factory in Lahti, the oat mill expansions in Finland and Sweden and in the new non-dairy production equipment in Koria. Other important investments included new production equipment and upgrades to the existing machinery in Fazer Bakery and Fazer Confectionery.

Depreciation, amortization, and impairment amounted to EUR 64.7 million (65.5).

Personnel

At the end of December 2021, Fazer had 8,049 employees (8,496). Fazer Bakery employed 5,170 (5,880), Fazer Confectionery 2,044 (1,904), Fazer Lifestyle Foods 551 (428) and Common Operations 284 (284). The decrease in the number of employees in Fazer Bakery relates to the introduction of a new operating model in Sweden. Of the Group's personnel 51% worked in Finland, 29% in Russia and 13% in Sweden.

Since the outbreak of the COVID-19 pandemic in 2020, the majority of Fazer white collar employees have worked remotely in order to safeguard their health and the health of production personnel. All of Fazer's production units have been fully operational throughout the pandemic. In 2021, restrictions related to the pandemic impacted Fazer Retail in both Finland and Sweden, and continuously varying restrictions and insecurity resulted in retail personnel transferring to other, more stable sectors. All Business Areas suffered from limited availability of production workers as well as salary inflation, especially in Russia and the Baltics. As a result, several actions, such as short-term recruitment programmes and cooperation with manning companies, were initiated during the year.

Personnel by Business Area

	31.12.2021	31.12.2020	31.12.2019
Fazer Bakery	5,170	5,880	5,956
Fazer Confectionery	2,044	1,904	2,060
Fazer Lifestyle Foods	551	428	471
Common Operations	284	284	318

Personnel by country	31.12.2021	31.12.2020	31.12.2019
Finland	4,079	3,681	3,808
Russia	2,344	2,376	2,416
Sweden	1,027	1,762	1,886
Latvia	275	296	317
Lithuania	212	250	267
Estonia	77	72	63
Denmark	24	52	39
Norway	11	7	8
USA	-	-	1

Changes in Group management

Mats Liedholm, former MD for Fazer Lifestyle Foods and MD for Fazer Sweden, transferred into the full-time role as MD for Fazer Sweden from the beginning of November. At the end of November, Aaron Barsness was appointed Chief Marketing Officer and Executive Vice President of Fazer Group and member of the Fazer Leadership Team. He assumed his new role 1 January 2022.

Klavs Berzins, Managing Director of Fazer Bakery Baltics, left the company in August 2021 and Anne Mere was appointed as the new Managing Director for the Baltics from September 2021. Petri Kujala was Managing Director of Fazer Bakery Sweden until May 2021, and his successor Patrik Hellgren took up his new position in June 2021.

Board of Directors and auditors

At the Annual General Meeting held on 14 April 2021, Casper von Koskull (Chairman), Ketil Eriksen, Jan Fazer, Johan Linder,

Cecilia Marlow and Juhani Mäkinen were re-elected as members of the Board of Directors. Elisabeth Dreijer von Sydow and Laura Tarkka were elected as new members of the Board. PriceWaterhouseCoopers Oy was re-elected as auditor with Martin Grandell, Authorised Public Accountant, as principal auditor.

Research and development

In 2021, Fazer continued its extensive research work, and especially with the Fazer Xtech R&D programme that comprises multiple foodtech related R&D projects with focus on new plant-based food solutions, nutritional aspects of plant-based diets, sugar reduction and food production side-stream valorisation. Fazer and Solar Foods continued their strategic co-operation in the Solein2Food project that aims to commercialise Solar Foods' novel protein ingredient Solein®. A major milestone was achieved in the project as the novel food dossier was submitted for EFSA evaluation. Fazer's PhD project related to grain fibres and gut-brain axis continued in Sweden with a clinical intervention study conducted in Örebro University.

Fazer Group's 2021 research and development costs amounted to 8.9 million (8.4).

BUSINESS AREA DEVELOPMENT IN 2021

Fazer's main focus in its operations is on the bakery, confectionery, non-dairy and plant-based foods, and milling markets through its three Business Areas: Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods.

Fazer Bakery: solid performance in challenging environment

The prolonged COVID-19 pandemic continued to challenge the bakery business throughout the year. Thanks to the agility and professionalism of Fazer's employees, the bakeries' operational continuity was secured, and all bakeries and shop-in-shops remained operational throughout the year. Despite challenges created by increasing raw material and packaging material prices, energy, and transportation costs as well as workforce availability especially in Russia and the Baltics, Fazer Bakery's performance was solid in 2021 and net sales remained stable at the previous year's level.

During the year, the active development of the business continued. In Sweden, a new operating model was introduced in the spring, including a reseller and distribution agreement with Polfärskt, phasing out Fazer's own field sales and distribution. In September, the bakery in Lund was closed. The changes in the operating model impacted sales in the spring but after summer signs of growing volumes and increasing market shares could already be seen.

Fazer Bakery Finland had a successful year with strong performance. As a result of the strong performance of the gluten-free portfolio, and after introducing a dozen new gluten-free products, the business attained market leadership in the gluten-free segments. Demand for white bread, driven by artisanal bread, grew throughout the year, while demand for dark bread declined although remaining a large product category for Fazer Bakery, particularly in Finland and the Baltics. Fazer Bakery Finland invested in a new portion bread line at its Vantaa bakery, which

enables the business to focus strongly on producing oat products, a growing category in Finland. 17 new bakeries were opened under Fazer's popular shop-in-shop concept in Finland, bringing their number to a total of 120. These shop-in-shops already employ a total of 700 people in Finland. Retail's interest in the concept remains high and the expansion of the bakery network is expected to continue. The bakery shop-in-shop concept has also been brought to Estonia, where there are currently 10 shop-in-shop bakeries, five of which opened in 2021.

Demand for bake-off products continued strong in Russia and Fazer invested in new frozen bake-off infrastructure to answer to the demand. Bakery Russia has been particularly challenged by the increases in raw material prices as well as limited availability of production personnel during the year.

A gradual recovery of the HoReCa sector started in the spring, but demand remained considerably lower than pre-COVID. Newly imposed restrictions started impacting the sector again both in Finland and the Baltics in the last quarter of the year. Day-to-day volatility in customer flows in retail made it difficult to estimate the demand for fresh bread, leading to a somewhat higher amount of food loss, in the shop-in-shops in particular. All business units saw significant growth in online sales during the year.

Fazer Confectionery: strong performance in a volatile market

Fazer Confectionery's year 2021 was strong. Despite strong volatility in market demand throughout the year, the confectionery markets grew, and Fazer was able to strengthen its positions in all

markets. In the summer, the confectionery market was negatively affected by the extremely warm weather that shifted consumption to other categories but bounced back strongly in the autumn with all time high sales in the last quarter of the year. All main categories grew with the biggest growth in gifts and seasonal products as well as countlines. The countline Geisha Crunchy was one of Fazer Confectionery's most successful products of 2021. In Sweden, demand shifted from packed confectionery and candy bags to pick & mix.

During the first half of the year, the pandemic and the related restrictions continued to have a strong negative impact on sales in the HoReCa sector, Travel Retail and Fazer Retail. In April, restaurants were forced to close, or only serve take-away food in Finland. Customer amounts were limited in Finland and Sweden and as well as opening hours in Finland. In the autumn, a recovery was seen in both Fazer Retail and Travel Retail, although remaining clearly below pre-COVID levels. Fazer Retail opened five new Fazer Cafés and Gateau bakery shops in total in 2021 and launched a new Gateau concept in Sweden. The production facilities in Stockholm were moved to Skogås outside the city.

In September 2021, Fazer Confectionery launched a project to investigate the options to renew the confectionery production in Finland and, as a result, is planning to invest in a new confectionery factory in Finland. If realised, the new factory would replace the existing confectionery factories in Vantaa and Lappeenranta. The change would come into force in 2025 at the earliest. The decision on the potential construction and location of the new factory will be made during 2022.

Fazer Lifestyle Foods: active development continued

Active development of Fazer Lifestyle Foods continued throughout 2021, to bring out the business' full potential in terms of top line growth and efficiency. During the year, several novelties were launched, among them the Dumle Oat Drink, Fazerina Granola, the Swedish keyhole marked Frebaco Granola and the Green Jelly marmalade, and they were well received by the market. Demand was also strong for the Frebaco Oat rice in Sweden.

The Finnish non-dairy market continued to grow, and the consumer shift from regular milk to non-dairy drinks continued. Market demand for non-dairy was strong, significantly exceeding Fazer's capacity. To speed up the organic growth, Fazer is currently investing in increased non-dairy capacity and building efficient operations in Koria. The new oat mills in Sweden and Finland were opened in the autumn, and thereby doubled Fazer's oat milling capacity. In December, Fazer announced its agreement to acquire a Swedish, market-leading producer of plant-based drinks, Trenum's Food. In the autumn, the ramp up of operations in the state-of-the-art xylitol factory in Lahti started. All these actions significantly strengthen Fazer Lifestyle Foods' position in the fast-growing global oat markets in accordance with its oat strategy.

During the year, a new operating model was introduced, which comprises five independent business units that have clear end-to-end responsibilities. Development programmes were carried out, focusing on key development areas. A new business unit, Fazer Foodtech, was established to drive Fazer's innovation agenda and to further strengthen Fazer's position as an innovative company. Fazer Lifestyle Foods was awarded with several awards for its innovativeness during the year. After winning the Finnish Star Act

award in 2020, Fazer's xylitol factory received the Finnish Chemical Society's circular economy innovation award and the "Circwaste – Towards Circular Economy in Finland" project's circular economy award in 2021. Fazer Mills' innovation Oat rice received recognition and was selected "Food Service product of the year" ("Årets Foodservicevara") in Sweden. In 2020, the product was awarded "Livsmedelspriset 2020".

NON-FINANCIAL INFORMATION 2021

Fazer's non-financial information describes the company's approach to the management of environmental, social and employee matters, as well as matters related to respect for human rights and anti-corruption and bribery. This voluntary information has been compiled for transparency purposes based on the requirements of the Finnish Accounting Act regarding Non-Financial Information. As part of this non-financial disclosure, Fazer has also included information of the climate-related impacts to its business by referencing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). More detailed information about Fazer's sustainability work and key performance indicators are provided in Fazer's Annual Review.

Sustainability – an integral part of Fazer's business

Fazer, as The Food Experience Company, brings joy and well-being through its high-quality products and services to people in the Nordics, Baltics, Russia and beyond to some 40 different countries. Fazer focuses on the bakery, confectionery, non-dairy and plant-based food markets. The company is also a major player in the Nordic grain milling market, in foodtech and in retail by operating in nearly 200 shop-in-shop bakeries, bakery shops and cafés throughout Finland and Sweden.

Fazer develops food as a solution for a more sustainable planet and business. Sustainability is at the very heart of Fazer's business – it's ingrained in the company's strategy and influences everything from its management, operations and supply chain, new product innovations and foodtech, as well as marketing and branding. Fazer drives the food transition through innovations and sustainable products while minimizing its environmental impacts and securing a sustainable and fair supply chain.

During the year 2021, Fazer broadened its sustainability framework from four core goals to Sustainability Ambitions. The company's work is now guided by the Sustainability Ambitions of climate & circularity, sustainable products and innovations, sustainable sourcing, as well as people & well-being. Through these focus areas, Fazer believes that it can best create value according to its mission Food with a purpose. Read more about the Sustainability Ambitions in Fazer's Annual Review.

Fazer's operative work is defined by operational excellence, efficiency, a high-performance culture, and effective performance management. The company strives to create a safe and inspiring working environment in which its employees can thrive. Fazer cooperates and engages with a variety of stakeholders from educational and research institutions to farmer associations and NGOs.

Sustainability governance and management

Fazer's sustainability governance practices are based on the ten international principles of the UN Global Compact and the company is committed to supporting the implementation of the United Nations' Sustainable Development Goals (SDGs).

Fazer's operations and sustainability work are governed by the company's values, the Group's Code of Conduct, Sustainability Policy, Human Rights Policy and QEHS Policy. In its sourcing, Fazer applies a Supplier Code of Conduct, and expects compliance from its raw material and service providers. Fazer applies management and governance processes to ensure that policies are systematically followed.

At Fazer, the highest authority in sustainability matters lies with its Board of Directors and the Fazer Leadership Team. The Board of Directors, for example, reviews the Group-level risk assessment which includes the identified sustainability and climate risks. The Chairman of the Board of Directors also acts as the Board's ESG sponsor. During 2021, Fazer established an Environment, Social and Governance (ESG) Steering Group, chaired by the CEO, to prepare and discuss strategic sustainability topics and have a clear decision-making forum for these topics. The operational sustainability work is managed by the sustainability team, as well as the Sustainability and QEHS network. Fazer's sustainability forum convenes each quarter to share information and engage with a larger number of internal stakeholders, such as the business areas, procurement, human resources. Each of these functions and forums have clearly defined roles and specific responsibilities.

On site level, sustainability matters are integrated in the operational management systems. For example, the OHS (Occupational Health and Safety) management systems of Fazer sites are, at minimum, based on the local legislative requirements, and most of them also hold the ISO 45001 certificate. All Fazer's internal production sites have food safety management certifications (FSSC 22000, IFS) approved by the Global Food

Safety Initiative (GFSI). Fazer publishes the certification status of all its sites on its [website](#).

For more information about functions and responsibilities governing sustainability matters, see Fazer's Annual Review.

Sustainability risks and their management

Fazer evaluates and analyses its sustainability risks as part of the Group-wide risk assessment process. As part of their operative QEHS (Quality, Environment, occupational Health and Safety) management, business areas and business units conduct separate risk assessments and mitigation plans on sustainability. In 2021, the business areas also conducted an in-depth assessment of the climate risks and opportunities. Issue management teams additionally identify the potential sustainability issues in different markets and proactively prepare for them. All of these internal assessments serve as input to the Group-level evaluation.

Some of Fazer's main strategic and operational risks are inherently linked to sustainability, both in its own operations and particularly in the supply chain. The main identified sustainability risks are related to the availability and price of key raw materials, food safety-related issues, potential sustainability concerns in the supply chain, particularly when sourcing certain raw materials from high-risk countries, and reputational damage due to unethical behaviour. Fazer elaborates on the climate-related risks and their mitigation, as well as the opportunities presented by climate action in a separate section below.

The food safety-related risks concern, for example, residues, contaminants, or other harmful substances if they are found in Fazer's products or in the purchased raw materials. Fazer works

to ensure the first-rate safety and quality of its products, and all sites have certified food safety management systems (such as FSSC 22000), including internal and external audits to monitor food safety compliance. Stringent allergen guidelines are also followed in the company's operations. Fazer engages in continuous actions to mitigate food fraud risks and to improve food defence through access control systems.

In terms of sustainability risks related to the supply chain, Fazer recognizes and actively mitigates challenges related to human rights, working conditions and ethical business conduct. Fazer pays specific attention to the supply chains of high-risk raw materials, such as cocoa, palm oil and soy. Overall, the inability of ensuring the full traceability of raw materials in its supply chain has been identified as an important risk for Fazer.

To mitigate the supply chain risks, Fazer engages in a number of activities, including conducting risk-based supplier audits and buying raw materials according to strict procurement sustainability criteria. The basic requirements for all suppliers are included in Fazer's Supplier Code of Conduct, and the company has higher sustainability standards for chosen raw materials, such as cocoa, grain, palm oil, soy, eggs, and hazelnuts. All suppliers, including subcontractors, are expected to adhere to the Supplier Code of Conduct. When selecting its suppliers, Fazer conducts quality assurance at several levels before a supplier is approved. Purchasing is steered toward suppliers with developed sustainability work or a positive willingness to change. In terms of potential human rights violations, corruption and bribery risks in the supply chain, Fazer enhanced its counterparty scanning by implementing a dedicated sanction screening tool in 2021.

Promoting and protecting Fazer's reputation and brand image is essential to its business success. Failure to address the continuing focus on consumer well-being, the nutritional expectations of its products, and the sustainability of its ingredients could adversely affect Fazer's brands. The risk can also materialize in the event of failing to deliver on Fazer's sustainability commitments and ambitions. During 2021, Fazer adjusted its sustainability focus areas to drive sustainability efforts even more effectively across the value chain.

Climate-related risks and opportunities

With the increasing need to act on climate change, Fazer continues to innovate sustainable solutions that support the well-being of people and the planet. Fazer sees climate action as an important business opportunity, which is also visible in its strategy through the focus on on-trend categories, foodtech and innovations. Fazer closely monitors and anticipates the developments in consumer needs and is developing its plant-based business to better respond to consumer demand for more environmentally sustainable products. During 2021, Fazer set ambitious climate targets, approved by the Science Based Targets initiative, to drive greenhouse gas emissions reduction across its value chain.

In addition to the clear business opportunities that arise from combatting climate change, Fazer has equally identified climate-related operational and strategic risks related to the availability of raw materials. While there are several other aspects that affect the availability of raw materials, the physical risks posed by climate change is one of them, as it poses veritable risks for the entire global food production and distribution system.

On the operational level, Fazer has identified acute physical climate-related risks as potentially affecting the availability and price of raw materials. Extreme weather conditions, such as heavy rain and drought might result in bad harvests and challenges in the logistics network, thus temporarily disrupting the material supply. These risks are particularly material for critical raw materials for Fazer, such as cocoa, as well as other raw materials such as grains, vegetable oils, sugar, nuts, and dairy. Fazer mitigates these risks, for example, by ensuring alternative sourcing channels and sufficient stock levels of critical ingredients.

On the strategic level, Fazer sees chronic physical climate-related risks as potentially affecting its future raw material supply more permanently. Rising mean temperatures and the resulting conditions, such as volatility in weather patterns and droughts, pose a severe risk to the farming conditions of Fazer's raw materials in certain areas, particularly the tropical ones. These risks are mitigated with a portfolio of actions ranging from responsible farming and sourcing programmes to new recipe development. Fazer also engages in long-term research projects and collaborates with its partners to develop future innovations and technologies for more secure food supply and production.

Environmental responsibility

Fazer strives to curb climate change and reduce emissions, optimise the use of resources through circularity, as well as reduce food loss and overall waste generation. Climate & circularity is one of Fazer's Sustainability Ambitions, and the company drives environmental sustainability across its value chain, from the selection of raw materials and product development to reducing emissions in its operations and reducing food loss. The largest

environmental impacts of Fazer's operations mainly stem from the value chain, notably from raw material production and logistics.

In 2021, Fazer stepped up its climate ambition by setting ambitious greenhouse gas (GHG) emissions reduction targets for its operations and the entire value chain. The targets have been validated by the Science Based Targets (SBTi) initiative and are aligned with the Paris Agreement goal of limiting global warming to 1.5 C. Fazer aims to reduce its absolute scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 base year and in a similar timeframe, also reduce its absolute scope 3 GHG emissions by 42%. Fazer has also committed to engaging 53% of its suppliers by spend, covering the purchased goods and services and upstream transportation and distribution, to commit to setting their own science-based targets by 2025.

In 2021, Fazer's total emissions amounted to approximately 1.7 million tCO₂e, increasing by 2% compared to the previous year. Both the emissions from its own operations (Scope 1 and 2) and the value chain (Scope 3) increased. During 2021, Fazer's production mix was more energy-intensive with more frozen products that are dependent on fossil-based production. The Scope 3 emissions increase can be mainly attributed to an increase in emissions from upstream transportation and distribution.

Reducing food loss is a high priority for Fazer. Fazer has had long-term targets to reduce food loss and waste already since 2015. In 2021, Fazer updated its sustainability approach where the ambition is to optimise the use of resources through circularity. Following this, Fazer has also updated its food loss-related target to better

steer its performance into minimizing avoidable food loss. The updated target is 50% less avoidable food loss by 2030 compared to a 2020 baseline (112.7 kg/tonne). It showed progress with a 1.4% reduction in 2021 (111.1 kg/tonne).

Circular economy concepts and the utilisation of side streams are essential in Fazer's sustainability work and business solutions. The company continues to work in the areas of material efficiency and circularity to find new ways to decrease food waste in its operations. For example, in 2021, the Fazer bakery in Vantaa invested in a recycling machine for surplus dough, allowing it to recycle the dough back into the production process. Fazer also started the preparations for joining the new Material Efficiency Commitment 2022–2026 for the food and retail industries in Finland, a pledge set up between government ministries and sectoral industry associations.

Fazer's target is to use sustainable raw materials to minimize environmental, as well as social, impacts throughout its value chain. The company is constantly working with its suppliers to reduce the emissions from its raw material production. As an example, Fazer has partnered with Baltic Sea Action Group (BSAG) and Reaktor to create a Farmers' training platform for regenerative farming in order to turn the agricultural soil from an emission source into a CO₂ sink, sequestering carbon in soil, and to prevent eutrophication of the Baltic Sea by minimising nutrient loads from fields to waterways.

Sustainable products, innovations and food safety

Sustainable products and innovations is another Sustainability Ambition at Fazer. The aim is to provide more plant-based food to support the well-being of people and the planet, as increasing the

share of plant-based foods helps reduce climate emissions while also improving human health. In 2021, 45% Fazer's total offering and 43% of its novelties were plant-based.

Fazer is constantly developing a broad range of foodtech initiatives representing innovation leadership in key plant-based food categories, such as oats. For example, Fazer's new xylitol factory in Lahti, Finland, produces xylitol from oat hulls, which are derived as a side stream of the oat milling process. Fazer also focuses on the development of more sustainable packaging innovations and advocating for circular packaging systems, such as return schemes. A key component in Fazer's innovation approach is partnering with its customers on shared sustainability ambitions to ensure that the company is a trusted and valued partner.

In terms of product quality and safety, Fazer has in place various controls to always ensure food safety and consistent quality. The company has high quality standards for raw materials and systematic quality assurance processes for finished products. In 2021, there were three product recalls regarding food safety. Product recalls were made as safety precautions related to allergens and additives that were found to contain more ethylene oxide than the maximum limit set by the European Union.

Personnel, employment and social matters

A third Sustainability Ambition for Fazer is people & well-being. Fazer strives to create a safe and inspiring working environment in which its employees can thrive. The responsibility to Fazer's people encompasses the health and safety, well-being and engagement, and the competence development of its employees, as well as ensuring an inclusive working environment. Fazer provides employment directly

and indirectly. In 2021, Fazer employed approximately 8,000 people in eight countries. Fazer's indirect employment impacts stem from sourcing, partnerships and e.g., investment projects.

The safety of personnel is naturally a priority for Fazer, and the company is actively working towards "zero accidents". In 2021, Fazer's LTAF (Lost Time Accident Frequency) was at 5.0, worse than its target of 4.2. The company continues its systematic work for improving the safety of its working environment and the ways of working, and the engagement of all its employees over the long term. A total of 11 783 safety observations were made, which is a 16% increase compared to last year. There were no fatalities in 2021.

An employee engagement survey conducted in 2021 found that Fazer employees are proud of their work and willing to make additional efforts. They are also highly likely to recommend Fazer as an employer. Nearly 77% of employees responded to the survey in total. During 2021, the company also launched a Diversity & Inclusion e-learning to help its employees recognise potential biases and challenge them.

Sustainable sourcing

Sustainable sourcing is also represented as one of Fazer's sustainability focus areas, as through its extensive value chain, the company has major impacts on societies, communities and individuals. Fazer aims to have sustainably sourced raw materials across suppliers and value chains by 2030. Fazer's sustainable sourcing approach includes both environmental and social aspects, and the company specifically focuses on the supply chains of high-risk raw materials, such as cocoa, palm oil and soy.

Regarding the critical raw materials, Fazer has committed to sourcing 100% sustainable Segregated palm oil by 2024 in all its product categories and countries of operation. In 2021, 46% of Fazer's palm oil was Segregated, the most sustainable option in the Roundtable for Sustainable Palm Oil (RSPO) certification system. The remaining share was either certified by using the Book & Claim method supporting the smallholder farmers or sourced using the mass balance method.

Also, cocoa is a key raw material for Fazer, and the company uses 100% sustainable cocoa. Of the sourced cocoa, 48% is certified by the Rainforest Alliance or the Fairtrade cocoa programme and 52% through farmer programmes. As planned, the company grew the share of cocoa from farmer programmes which was 31% in 2020.

In terms of grain, Fazer's target is for all grain used in its consumer goods in Finland and Sweden to fulfil Fazer's sustainable grain farming principles by 2025. The principles have been created together with a diverse group of stakeholders, such as farmers, producers' associations, and environmental organisations.

Fazer engages in a number of activities with its suppliers, including training programmes for local communities and cocoa farmers and controls to prevent child labour in Fazer's raw material production. The company conducts risk-based supplier audits and buys raw materials according to strict procurement sustainability criteria either via certified sources or via farmer programmes. All suppliers, including subcontractors, are expected to adhere to the Supplier Code of Conduct. Of Fazer's total external spend, 78% (52% in 2020) had signed the Code of Conduct by the end of 2021. Read more about sustainable sourcing in Fazer's Annual Review.

Respect for human rights, anti-corruption and preventing bribery

Upholding human rights is of utmost importance to Fazer. The company embraces human rights as part of its sustainable sourcing practices, and these considerations are included in its target of having sustainably sourced raw materials. Fazer does not accept bribery or corruption in any form, in its own operations or in those of its suppliers or partners. Fazer continuously educates personnel to ensure compliance with its anti-bribery programme and relevant legislation in its operating countries.

In 2021, The Group's Code of Conduct was updated to replace the previous ethics principles. Fazer additionally enhanced its counterparty scanning in terms of potential human rights violations, corruption and bribery risks in the supply chain by implementing a dedicated sanction screening tool in 2021. Fazer also renewed its human rights policy and trained its top management in 2021, with the aim of training its entire organisation during 2022. As a basic requirement to its suppliers, Fazer continues to roll out its Supplier Code of Conduct.

Employees and third parties can report observed or suspected cases of misconduct through a whistleblowing channel. In 2021, 22 cases were reported through the whistleblowing channel and investigated. These cases were related to HR, QEHS, conflicts of interest and other alleged violations.

RISKS AND BUSINESS UNCERTAINTIES

Fazer regularly evaluates and analyses the Group's strategic, operational, and financial risks within the framework of its risk management policy and takes action to mitigate these risks.

Price and availability of raw materials and commodities

Profitable growth is a crucial part of Fazer's strategy. Fazer purchases large quantities of raw materials, and availability and fair pricing of certain key raw materials is crucial to Fazer's business success. A significant and sudden increase in the cost of raw materials, commodities, or logistics could impact Fazer's profitability if Fazer is not able to pass on such increases to product prices without delay.

In order to understand the market development of key raw materials, Fazer continuously improves cooperation with selected existing suppliers and seeks competitive alternate suppliers to mitigate risk. New alternate suppliers improve price competition, increase production capacity when necessary and can lower sourcing risk. Procurement at Fazer Group strives to proactively mitigate risks associated with pricing, quality, capacity, availability, and other requirements. Raw material prices are hedged according to approved policies. In 2021, all Business Areas were challenged by inflationary pressure in key raw material prices, energy, and transportation costs. Fazer initiated actions to mitigate the negative effects of this. However, the rise in input costs were not absorbed in full, and product price increases were unavoidable.

Changes in the competitive landscape

The food industry is highly competitive. Fazer's principal competitors are food and snacking companies operating in multiple geographic areas and numerous local and regional companies. Failure to effectively respond to challenges from competitors could adversely affect Fazer's business. Major

competitor consolidation could change the market dynamics and potentially also Fazer's market position. The risk is managed on the Group and Business Area level through continuous monitoring of the competition. Fazer aims to respond to competition through its superior portfolio of branded products, active management of customer relationships and continuous development of its product portfolio to further differentiate from the competitors and to be competitive. To understand and meet consumer needs and expectations, Fazer invests significantly in active consumer insight work and develop its product portfolio accordingly. In 2021, no major changes in Fazer's competitive environment occurred.

Reputation and brand

Promoting and protecting Fazer's reputation and brand image is essential to business success. Fazer's success depends on the ability to maintain and enhance its brands and develop the portfolio with new product offerings that meet consumer expectations. Failure to effectively address the continuing focus on consumer well-being, including changing consumer acceptance of certain ingredients, nutritional expectations of the products, and the sustainability of the ingredients, the supply chain and packaging could adversely affect Fazer's brands.

Furthermore, Fazer's ability to maintain and improve its brand image depends on its ability to anticipate change and adapt to a rapidly changing marketing and media environment, including the increasing reliance on established and emerging social media and online platforms. In 2021, Fazer's brand reputation remained strong, and the company was selected among the top 10 most reputational brands in Finland for the 9th consecutive year.

Talent management

The implementation of Fazer's strategy and strategic transformation requires new kinds of skills and competencies. To secure competitiveness and profitable growth, as well as to improve operational efficiency, it is essential to attract and retain personnel with the right skills and competencies. There is a risk that the food sector does not attract the most competent people. Fazer has done very well in employer surveys in Finland and has succeeded well in attracting talented people. In other countries, such as Sweden where Fazer is less well-known, strong focus is put on employer branding and other means to make the company better known as an employer.

Fazer is continuously identifying people with high potential and key competencies for future needs. Through systematic development and improvement of compensation schemes, learning programmes, and career development programmes, Fazer aims to ensure the continuity of skilled personnel also in the future.

Risks related to M&A and transactions

In addition to organic growth, acquisitions are a potential means to achieve Fazer's goals and strategies. Unsuccessful acquisitions or a failure to successfully integrate an acquired company could result in reduced profitability or hamper the implementation of corporate strategy. Fazer regularly evaluates a variety of potential strategic transactions, including acquisitions, joint ventures and other strategic alliances that could support its strategic objectives. Fazer may not successfully identify or mitigate the risks presented by these strategic transactions. Fazer's success partially depends on its ability to identify suitable transactions, negotiate favourable

terms, integrate or separate businesses, realise the full extent of the benefits, cost savings or synergies presented by strategic transactions and minimise potential disputes with buyers, sellers and strategic partners. Fazer's M&A activities, or related activities such as reorganisations, restructuring programmes and transformation initiatives, may require Fazer to recognise impairment losses or to take action to reduce costs after the completion of a transaction, which may negatively impact Fazer's financial results.

Fazer has created M&A processes and gathered a dedicated Group level M&A team, who actively manage M&A activities and support execution of business transactions. External advisory services also support the successful management of such transactions.

Human rights in the supply chain

To maintain and strengthen customer and consumer trust, it is important to maintain good control of the supply chain. Sourcing certain raw materials, such as cocoa, may include human rights challenges. Fazer engages in systematic internal work to define sustainable sourcing and to develop related procurement processes. Human rights related risks are also mitigated by following UN Guiding Principles on businesses and human rights and processes described in these guiding principles. Fazer has implemented a whistleblowing system that provides an opportunity to report suspicions of misconduct. Mapping of risks at the supplier level is based on a number of different dimensions. Fazer conducts extensive quality, safety, and sustainability work, and quality assurance is conducted at several levels before a supplier is approved. Purchasing is steered toward suppliers with developed sustainability work or a positive willingness to change.

Fazer's suppliers are expected to actively improve their human rights, environment and occupational health and safety activities as well as ethical business conduct. In 2020, Fazer updated its Supplier Code of Conduct and processes related to supplier checks were further developed. All Fazer's suppliers, as well as supplier employees and subcontractors, are expected to adhere to the Supplier Code of Conduct. By the end of December 2021, 78% of Fazer's suppliers (calculated as share of external spend) had signed the Group's updated Supplier Code of Conduct.

Geopolitical instability

Fazer has operations in 8 countries and sells its products to some 40 countries globally. Political developments and changes in legislation can have an adverse impact on Fazer's business. The company actively monitors political and legal developments in its markets and engages in a dialogue with various official bodies on projects of importance to its operations.

Changes in laws and regulations

The food industry is highly regulated and subject to government oversight. Various laws and regulations govern among others food production, packaging and waste management, and health and safety practices. Government authorities regularly change laws and regulations as well as their interpretations of existing laws and regulations. The establishment of taxes targeting the consumption of specific products or ingredients could adversely affect Fazer's business. Climate change concerns might result in new legal and regulatory requirements to reduce or mitigate the effects of climate change. These changes could increase Fazer's operating costs related to energy or packaging through taxes or regulations. In its extensive sustainability work, Fazer is continuously improving

the energy efficiency of its operations and aims to substantially reduce emissions throughout its supply chain.

Customer consolidation and increased retail power

Retail customers, such as supermarkets, discounters, online retailers and retail networks may continue to consolidate or be acquired by new entrants in the food retail market, resulting in fewer, larger customers with increased negotiation power. Large retail customers could delist Fazer's products or reduce the shelf space allotted to them, demand lower pricing, increased promotional programmes or longer payment terms. Fazer mitigates the risk of retail consolidation and increasing retail power by actively building customer relationships and strategic partnerships, maintaining a superior product portfolio and brands, developing the service levels and maintaining cost-efficiency in production to remain price competitive.

Climate change

Climate change may have an impact on Fazer's supply chain and operations in the future. CO₂ and other greenhouse gases in the atmosphere have caused and will in the future cause changes in weather patterns around the globe. These changes are expected to increase the frequency of extreme weather events and natural disasters and affect water availability and quality. These impacts increase risks for the global food production and distribution system. Decreased agricultural productivity caused by climate change might limit the availability of purchased commodities, such as cocoa, which is a critical raw material for Fazer, and is especially sensitive to changes in climate, as well as other raw materials such as grains, vegetable oils, sugar, nuts and dairy.

Cyber security

Fazer is increasingly dependent on data systems, data traffic and external service providers. The interconnectedness of networks, the outsourcing of services and online services have made it more difficult for companies to monitor their data security effectively. Prolonged disturbances in data systems, payment transmission or elsewhere in the supply chain, or other exceptional situations such as a cyber-attack, could paralyse the company's operations or halt the flow of goods within the Group, causing significant financial losses. Fazer is focusing increasingly on identifying data security risks and increasing its data security capabilities through trainings and tests and ongoing business continuity planning.

COVID-19 and other pandemics

Global or regional health pandemics, including COVID-19, could negatively impact Fazer's business operations, financial performance, and results of operations. Depending on the severity, magnitude and duration of the pandemic, it could negatively impact Fazer's business in numerous ways. Although Fazer was impacted by the pandemic, the business showed clear resilience in 2021. Fazer managed and mitigated the risks related to the pandemic by maintaining and executing rigorous business continuity plans as well as country and function-specific instructions. Fazer's financial position and cash flow remained strong.

Hazard risks

Major operational breaks such as fire, dust explosion or machinery breakdown in the production could negatively impact Fazer's business operations and ability to supply products. These risks are mitigated by continuous improvement of processes, conducting

risk surveys, ongoing business continuity planning and transfer of risk through insurance.

Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity and refinancing risks, and counterparty risks. The objectives and principles within which the financial risks are managed in Fazer as well as the principles that govern the commodity specific risk management are fined in respective policies approved by the Board of Directors.

SHARES AND SHARE CAPITAL

At the end of 2021, the parent company of Fazer Group, Oy Karl Fazer Ab, had 4 341 039 preference shares and 2 365 200 ordinary shares. The preference shares carry a preferential right of at least 6% of the nominal value of the share, ahead of ordinary shares for the annual dividend from the company's distributable profits. At the Annual General Meeting, each ordinary share is entitled to ten votes and each preference share entitles to one vote.

CHANGES IN GROUP LEGAL STRUCTURE

In 2021 Fazer continued to simplify the Group's legal structure by merging and dissolving several companies. A more detailed description of changes in the Group structure can be found in note 24 to the consolidated financial statements.

Fazer continues to simplify the Group's legal structure and is considering a number of alternative structures in this context, which may lead, among others, to the separation of the investment operations from the parent company.

EVENTS AFTER THE REPORTING PERIOD

In January 2022, Fazer signed a new EUR 200 million revolving credit facility (RCF) agreement linked to sustainability targets, a milestone in the integration of Fazer's financial and sustainability targets reinforcing the interlinkage between its financial and non-financial performance, further positioning Fazer as a sustainability leader.

In January 2022, Fazer announced its plan to invest in a new confectionery factory in Finland. If realised, the new factory would replace the existing confectionery factories in Vantaa and Lappeenranta. The change would come into force in 2025 at the earliest. The decision on the potential construction and location of the new factory will be made during 2022.

In January 2022, The Swedish Competition Authority approved the acquisition of Trensums Food AB and the closing of the deal took place on 28 February 2022.

The geopolitical situation in Europe changed dramatically in the end of February. On 2 March 2022 Fazer announced the suspension of all exports of its products from Finland to Russia. Fazer's exports to Russia have comprised of confectionery and milling products. On 6 March 2022 Fazer announced its decision to exit all its operations in Russia. Local Bakery operations in Moscow and St Petersburg have employed approximately 2,300 persons. In 2021, net sales from Russia totalled approximately EUR 157 million, accounting for 13% of total Group net sales. Fazer will continue to further assess the impact on year 2022 financial reporting.

OUTLOOK FOR 2022

All Fazer markets are expected to grow in 2022, but due to the uncertainty related to the COVID- pandemic, visibility remains low. In addition to the pandemic, price pressures on energy, raw materials, packaging and logistics costs will continue and geopolitical tensions will create uncertainty in the market.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable equity on 31 December 2021 was 1,015,707,251.89 euro of which 30,830,830.89 euro represent profit for the financial year. The Board of Directors proposes to the Annual General Meeting that the distributable profit should be appropriated as follows:

- a dividend of 13.60 per share to be paid	91,204,850.40 euro
- to be retained in non-restricted equity	924,502,401.49 euro
	1,015,707,251.89 euro

No significant changes have taken place in respect of the company's financial position after the balance sheet date. In the opinion of the Board of Directors the proposed distribution of profits will not compromise the company's solvency.

GROUP KEY FIGURES

Five-year summary

	2021	2020	2019	2018	2017		2021	2020	2019	2018	2017	
Income statement						Key figures						
Net sales, MEUR *	1,139.8	1,101.2	1,097.0	1,029.2	1,038.2	Gross investments, MEUR	82.4	104.1	107.1	50.5	108.0	
EBITDA, MEUR *	104.6	117.4	111.2	120.8	125.9	Dividend / share, EUR **	13.60	14.40	9.10	9.50	9.60	
% of net sales *	9.2%	10.7%	10.1%	11.7%	12.1%	Interest-bearing net debt, MEUR	-95.2	-213.3	127.0	95.0	79.0	
Operating profit, MEUR *	39.9	51.9	49.1	55.9	60.5	Gearing	-10.9%	-22.8%	22.5%	17.5%	14.2%	
% of net sales *	3.5%	4.7%	4.5%	5.4%	5.8%	Return on equity	3.5%	58.8%	13.4%	11.6%	13.3%	
Profit before taxes, MEUR *	45.9	41.8	51.6	53.5	58.2	Equity ratio	68.3%	70.7%	52.6%	56.8%	55.1%	
% of net sales *	4.0%	3.8%	4.7%	5.2%	5.6%							
Result for the period, continuing operations, MEUR	31.6	32.6	38.9	41.6	47.4	Personnel, avg. FTE *	7,123	7,316	7,532	7,646	7,589	
Result for the period, discontinued operations, MEUR	0.4	407.8	35.4	22.3	24.8	Personnel, 31 December *	8,049	8,496	8,805	8,884	9,094	
Result for the financial year, MEUR	32.0	440.4	74.4	63.9	72.1							
Attributable to owners of the parent, MEUR	29.9	366.7	66.4	58.5	63.4	* Figures for years 2020-2017 are presenting continuing operations. In balance sheet assets related to discontinued operations are reported for year 2019 as 'Assets held for sale' and liabilities as 'Liabilities related to assets held for sale'. Key figures have been calculated correspondingly according to above mentioned income statement and balance sheet presentation principles.						
Attributable to non-controlling interests, MEUR	2.1	73.7	8.0	5.3	8.8	** 2021 proposal by the Board of Directors to the annual general meeting.						
Balance sheet												
Non-current assets, MEUR	770.5	731.2	628.2	627.0	650.9							
Current assets, MEUR	281.2	246.1	231.7	293.6	322.1							
Cash and cash equivalents, MEUR	226.5	345.6	40.6	39.3	40.3							
Assets held for sale, MEUR	-	-	171.9	-	-							
Equity attributable to the owners of the parent, MEUR	805.3	869.3	494.1	484.9	499.0							
Non-controlling interest, MEUR	67.9	65.2	69.6	59.4	58.3							
Interest-bearing liabilities, MEUR	131.3	132.3	167.6	134.4	141.1							
Non-interest-bearing liabilities, MEUR	273.8	256.0	224.0	281.2	314.8							
Liabilities related to assets held for sale, MEUR	-	-	117.1	-	-							
Balance sheet total, MEUR	1,278.2	1,322.8	1,072.4	959.9	1,013.3							

CALCULATION OF KEY FIGURES

Return on equity (%) =
$$\frac{\text{Result for the period}}{\text{Equity, average of the beginning and end of the period}}$$

Equity ratio (%) =
$$\frac{\text{Equity}}{\text{Equity} + \text{liabilities} - \text{advances received}}$$

Gearing (%) =
$$\frac{\text{Interestbearing liabilities} - \text{cash and cash equivalents}}{\text{Equity}}$$

EBITDA = Operating profit + depreciations, amortisations
and impairments



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CONSOLIDATED INCOME STATEMENT**CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**

MEUR	Notes	2021	2020	MEUR	Notes	2021	2020
Continuing operations				Profit for the year			
Net sales	4	1,139.8	1,101.2	Other comprehensive income			
Other operating income	5.1	14.9	22.8	Items that may be classified to profit or loss			
Change in finished goods and work in progress		5.8	0.4	Cash flow hedges		0.8	-0.2
Materials and services	5.2	-431.7	-405.5	Translation differences		3.1	-12.2
Employee benefits expenses	5.3	-324.3	-317.4	Income tax relating to these items		-0.2	0.0
Depreciation, amortization and impairment	8, 9	-64.7	-65.5	Items that will not be reclassified to profit or loss			
Other operating expenses	5.4	-299.9	-284.2	Remeasurements of defined benefit plans	18	0.0	0.0
				Fair value adjustments of non-current financial assets		-	1.2
Operating profit		39.9	51.9	Income tax relating to these items		0.0	0.0
Financial income	6	10.6	7.4				
Financial expenses	6	-5.0	-17.5	Other comprehensive income, net of tax		3.7	-11.1
Profit before income tax		45.6	41.8	Total comprehensive income for the period		35.7	429.2
Income tax	7.1	-13.9	-9.2	Of which attributable to discontinued operations		0.4	407.8
Result for the period, continuing operations		31.6	32.6	Attributable to			
Owners of the parent company		29.5	31.4	Owners of the parent company		32.4	360.3
Non-controlling interests		2.1	1.1	Non-controlling interests		3.3	68.9
Result for the period, discontinued operations	22	0.4	407.8	Total comprehensive income for the period attributable to the owners of the parent company			
Owners of the parent company		0.4	335.3	Continuing operations		32.0	25.0
Non-controlling interests		-	72.5	Discontinued operations		0.4	335.3
Result for the period		32.0	440.4	Total comprehensive income for the period attributable to non-controlling interests			
Owners of the parent company		29.9	366.7	Continuing operations		3.3	-3.6
Non-controlling interests		2.1	73.7	Discontinued operations		-	72.5

CONSOLIDATED BALANCE SHEET

MEUR	Notes	31 Dec 2021	31 Dec 2020	MEUR	Notes	31 Dec 2021	31 Dec 2020
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Equity	15		
Goodwill	10	158.7	159.1	Share capital		134.1	134.1
Intangible assets	9	45.6	46.2	Other reserves		1.9	1.2
Property, plant and equipment	8	496.2	456.3	Reserve for invested unrestricted equity		108.2	108.2
Non-current financial assets	11.2	11.7	11.7	Retained earnings		561.0	625.7
Non-current receivables	11.2	58.0	57.4	Equity attributable to the owners of the parent company		805.3	869.3
Deferred tax assets	7.3	0.5	0.4	Non-controlling interests	25	67.9	65.2
Total non-current assets		770.5	731.2	Total equity		873.2	934.6
Current assets				Non-current liabilities			
Inventories	12	99.6	83.3	Interest-bearing liabilities	11.2, 17	81.9	31.6
Trade and other receivables	13, 11.2	149.0	134.5	Deferred tax liabilities	7.3	22.5	19.2
Income tax receivables		6.7	1.8	Pension obligations	18	3.9	4.1
Current financial assets	11.2	26.0	26.5	Provisions	16	2.5	1.7
Cash and cash equivalents	14	226.5	345.6	Other non-current liabilities		2.3	1.6
Total current assets		507.7	591.7	Total non-current liabilities		113.0	58.2
TOTAL ASSETS		1,278.2	1,322.8	Current liabilities			
				Interest-bearing liabilities	11.2, 17	49.4	100.7
				Trade and other payables	11.2, 19	237.6	226.5
				Income tax liabilities		2.0	2.4
				Provisions	16	2.9	0.5
				Total current liabilities		292.0	330.0
				Total liabilities		405.0	388.3
				TOTAL EQUITY AND LIABILITIES		1,278.2	1,322.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Attributable to owners of the parent company						Non-controlling interest	Total equity
	Share capital	Other reserves	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total		
Balance at 1 January 2021	134.1	1.2	108.2	-20.4	646.1	869.3	65.2	934.6
Profit for the period					29.9	29.9	2.1	32.0
Other comprehensive income								
Fair value adjustments of derivatives, net of taxes		0.9				0.9		0.9
Transferred to the income statement, net of taxes		-0.4				-0.4		-0.4
Transferred to inventories, net of taxes		0.2				0.2		0.2
Remeasurement on defined benefit plan, net of taxes				0.0	0.0	0.0	0.0	0.0
Translation differences			1.8		0.0	1.8	1.2	3.1
Comprehensive income for the period		0.7		1.8	29.9	32.4	3.3	35.7
Transactions with owners in their capacity as owners								
Acquisition of share on non-controlling interest					0.2	0.2	-0.5	-0.3
Dividends provided for or paid					-96.6	-96.6	-0.2	-96.8
Balance at 31 December 2021	134.1	1.9	108.2	-18.5	579.6	805.3	67.9	873.2

MEUR	Attributable to owners of the parent company						Non-controlling interest	Total equity
	Share capital	Other reserves	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total		
Balance at 1 January 2020	126.5	0.1	-	-12.9	380.4	494.1	69.6	563.7
Profit for the period					366.7	366.7	73.7	440.4
Other comprehensive income								
Fair value adjustments of derivatives, net of taxes		-0.3				-0.3		-0.3
Transferred to the income statement, net of taxes		0.3				0.3		0.3
Transferred to inventories, net of taxes		-0.1				-0.1		-0.1
Fair value adjustments of non-current financial assets		1.2				1.2		1.2
Remeasurement on defined benefit plan, net of taxes					0.0	0.0	0.0	0.0
Translation differences				-7.5		-7.5	-4.8	-12.2
Comprehensive income for the period		1.1		-7.5	336.7	360.3	68.9	429.2
Transactions with owners in their capacity as owners								
Share issue and related expenses, net of taxes	7.6		108.2		-0.6	115.3		115.3
Acquisition of share of non-controlling interest					0.2	0.2	-116.1	-115.9
Release of internal capital gain *					-42.9	-42.9	42.9	0.0
Dividends provided for or paid					-57.5	-57.5	-0.1	-57.7
Balance at 31 December 2020	134.1	1.2	108.2	-20.4	646.1	869.3	65.2	934.6

* The adjustment of the non-controlling interests relates to an several years completed internal reorganisation of the Food Services business that has previously been eliminated.

CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	Notes	2021	2020	MEUR	Notes	2021	2020
Cash flows from operating activities				Net increase (+) decrease (-) in cash and cash equivalents		-119.5	303.6
Result for the period		32.0	440.4	Cash and cash equivalents at the beginning of the period	14	345.6	43.2
Adjustments ⁽¹⁾		74.1	-321.1	Exchange rate difference		0.5	-1.2
Change in working capital ⁽²⁾		-11.6	53.2	Cash and cash equivalents at the end of the period	14	226.5	345.6
Interest received		1.4	1.3				
Interest paid		-2.0	-1.4	1) Adjustments			
Other financial income and expenses, net		-0.3	-5.2	Depreciations, amortisations and impairments	8, 9	64.7	65.5
Dividends received		0.0	-	Income taxes		13.9	18.9
Income taxes paid		-16.1	-14.8	Share of result in associated companies		-	-
Net cash from operating activities		77.5	152.4	Financial income and expenses	6	-6.0	9.7
Cash flows from investing activities				Non-cash income and expenses		4.7	0.6
Purchases of tangible and intangible assets	8, 9	-82.1	-92.8	Other non-operating adjustments		-3.1	-415.9
Business acquisitions	23	-0.3	-6.1	Total adjustments		74.1	-321.1
Investments in non-current financial assets		-	-5.3				
Investments in current financial assets		-91.8	-326.5	2) Change in working capital			
Proceeds from sale of tangible and intangible assets		5.7	2.8	Decrease (+) / increase (-) in inventories		-16.0	0.9
Proceeds from sale of current financial assets		92.7	297.2	Decrease (+) / increase (-) in trade and other receivables		-5.3	15.0
Proceeds from sale of businesses	23	-	387.2	Decrease (-) / increase (+) in trade and other payables		9.6	37.4
Repayment of loan receivables		0.0	-	Change in working capital		-11.6	53.2
Net cash from investing activities		-75.8	256.6	Figures in consolidated statement of cash flows include both continuing and discontinued operations.			
Cash flows from financing activities							
Proceeds from non-current debt		40.0	-				
Repayment of current debt		-45.1	-157.6				
Proceeds from current debt		25.2	190.5				
Net cash flows from commercial papers		-29.0	-66.5				
Repayment of leasing debt		-15.5	-14.1				
Dividends paid		-96.8	-57.8				
Net cash from financing activities		-121.2	-105.5				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Oy Karl Fazer Ab is a Finnish limited liability company organized under the laws of Finland with its registered office in Helsinki. Oy Karl Fazer Ab (“Company” or the “Parent company”) is the parent company of Fazer Group (“Fazer Group” or “Group”).

Fazer Group is an international family-owned company offering quality bakery, confectionery, biscuit and grain products, plant-based meals, non-dairy products, on-the-go food & drinks as well as café services. Continuing operations consists of three business areas, as well as the shared functions of the Group. Fazer operates in eight countries and exports to around 40 markets. For a full list of shareholdings see Note 24. At year-end 2021 continuing operations in Fazer Group had 8,049 employees in eight countries.

The Board of Directors approved these financial statements for issue on March 8, 2022. According to the Finnish Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards

(IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2021. The term ‘IFRS standards’ refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated.

Euro is the parent company’s functional and presentation currency. Items concerning the performance and financial position of the Group’s units are measured by using the currency of the primary economic environment in which the units operate (“the functional currency”).

Numbers in the consolidated financial statements are presented in million euro and they have been rounded from exact numbers and therefore the sum of numbers presented individually can deviate from the total sum.

2.2 Basis of consolidation

The consolidated financial statements comprise the parent company Oy Karl Fazer Ab and its subsidiaries, in which the Group has control. The Group controls an entity when it is exposed or entitled to variable returns from its involvement with the entity and is able to affect such returns through the exercise of its powers over the entity. If the Group does not hold majority of shares in the entity, all the circumstances through which such control may

be gained in the absence of the majority of votes are assessed. Such circumstances include contract-based arrangements between other holders of voting rights, any rights arising from other contract-based arrangements as well as the voting rights and potential voting rights held by the Group.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control no longer exists. All group companies follow accounting principles applied by Fazer Group.

Acquired subsidiaries are accounted for by using the acquisition method. Accordingly, the consideration transferred, and the identifiable assets and liabilities assumed in the acquired company are measured at the fair value at the date of the acquisition. The amount by which the purchase price, possible part belonging to the non-controlling interests, possible earlier acquired share altogether, exceeds the acquired company’s net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. If this is less than the acquired company’s net identifiable assets, liabilities and contingent liabilities measured at fair value and in case of a bargain purchase, the difference is recognised directly to the consolidated statement of comprehensive income. Transaction costs are expensed in the same financial period in which they occur. Any contingent consideration (additional purchase price) related to the acquisition is measured at fair value on the date of acquisition and classified either as a liability or equity. Contingent consideration

classified as a liability is measured at fair value on the last day of the reporting period, and the resulting loss or gain is recognised through the consolidated income statement. Contingent consideration classified as equity is not remeasured.

Associated companies are companies in which the Group holds voting rights of 20-50% and in which the Group has significant influence, but not control. The associated companies are included in the consolidated financial statements by using the equity method. Under the equity method, the Group's share of the profit or loss of an associate is recognized above operating profit. The Group's interest in an associated company is recognised in the balance sheet at an amount that reflects the Group's share of the net assets of the associate together with goodwill identified on acquisition, less any impairment. Significant unrealized gains between the Group and the associated companies are eliminated to the extent of the Group's ownership. Associated companies' financial statements are, when necessary, adjusted to correspond with the accounting principles used in the Group prior to consolidation. If the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to nil and the recognition of further losses ceases unless the Group has incurred obligations in respect of the associated companies.

The investments in subsidiaries have been eliminated by using the acquisition cost method. All transactions between Group companies as well as assets and liabilities, income and expenses, dividends and unrealized internal margins have been eliminated in the consolidated financial statements. Non-controlling interests share of the result is presented separately in the income statement and the share of the equity allocated to the non-controlling

interest is presented separately within equity. All transactions with non-controlling interests are recorded in equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is re-measured to its fair value and the change in the carrying amount is recognized in the income statement.

2.3 Summary of significant accounting policies

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets are classified as held for sale if their carrying amount are expected to be recovered primarily through a sale rather than through continuing use. Classification as held-for-sale requires that the sale is considered highly probable, the asset is available for immediate sale in its present condition, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification. From the date of classification such assets are stated at the lower of carrying amount and fair value less cost of disposal and recognition of depreciations and amortizations ceases.

Operations are classified as discontinued operations in case a component of an entity has either been disposed of, or is classified as held-for-sale. Furthermore, it represents a separate major line of business or geographical area of operations, is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. A component of an entity is defined as operations and cash flows which can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Intra-group revenues and expenses between continuing and discontinued operations are eliminated,

except for those revenues and expenses that are considered to continue after the disposal of the discontinued operation.

The result for the period of discontinued operations is presented as a separate item in the income statement and the comparative information in the income statement is restated accordingly.

FOREIGN CURRENCY ITEMS

Transactions in foreign currencies are translated into the respective functional currencies of Group companies using the exchange rates at the dates of the transactions. Receivables and payables in foreign currencies are translated using exchange rates at the end of the reporting period. Foreign exchange rate gains and losses resulting from receivables and payables relating to operating activities are included in the operating profit. Foreign exchange rate gains and losses relating to financial assets and liabilities are included in financial income and expenses in the income statement.

Income statements of foreign group companies are translated into euros using the average exchange rates of the reporting period and balance sheets are translated using the exchange rates at the end of the reporting period. The translation of the reporting period's result by using different rates in the income statement and the balance sheet causes a translation difference, which is recognised in equity and in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of the equity items accumulated after the acquisition are recognised in other comprehensive income. When a subsidiary is disposed, any accumulated translation difference relating to the disposed subsidiary are recognised as part of the gain or loss of the sale. Goodwill arising from acquisitions of foreign

entities as well as the fair value adjustments of assets and liabilities are treated as assets and liabilities of the foreign entities in their functional currency. They are translated into euros at the exchange rate of the end of the reporting period.

REVENUE RECOGNITION

Fazer manufactures and sells a range of bakery, confectionery, biscuit and grain products, plant-based meals, non-dairy products, on-the-go food & drinks in the wholesale and retail market. Fazer also operates some cafes and restaurants at selected locations. Sales are recognised when control of the products has been transferred. The control is transferred when the products are delivered to the wholesaler or retailer, which have full discretion over the channel or store and price to sell the products, and there is no unfilled obligation for Fazer. Delivery occurs when the products have been delivered to the specific location or collected from agreed warehouse, the risks of obsolesce and loss have been transferred to the wholesaler, and either the customer has accepted the delivered products in accordance with the sales contract, or the group has objective evidence that all criteria for acceptance have been satisfied. In some countries and certain products, we have consignment stocks, and in these cases, the revenue is recognised when control of the products is transferred to the end customer.

The contracts concluded by the Fazer include a range of variable price components, such as volume discounts and bonuses. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide discounts, and revenue is only recognised to the extent that is highly probable that significant reversal will not occur.

A contract liability is recognised for expected volume discounts into the same period, when the corresponding revenue is recognised. No element of financing is deemed present as the sales are usually made with 30 days payment term. Receivable is recognised when the goods are delivered.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development costs are expensed as they are incurred, unless they relate to a clearly defined project that meets certain criteria. Development costs for such projects are capitalized if they are separately identifiable and if the products are assessed to be technically feasible and commercially viable and the related future revenues are expected to exceed the aggregate deferred and future development costs and related production, selling and administrative expenses, and if adequate resources exist or will be available to complete the project. Capitalized development costs include all directly attributable material, employee benefit and testing costs necessary to prepare the asset to be capable operating in the manner intended. Research and development costs that were initially recognized as an expense are not to be capitalized at a later date.

Amortization of such a product is commenced when it is available for use. Unfinished products are tested annually for impairment. Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, not more than five years.

INCOME TAXES

The taxes recognized in the consolidated income statement include the Group companies' taxes on current net profits on an accrual basis, prior period tax adjustments and changes in deferred taxes.

The Group companies' taxes have been calculated from the taxable income of each company determined by local jurisdiction.

Deferred tax assets and liabilities are recognized on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities. Deferred tax liability has not been calculated on goodwill insofar as goodwill is not tax deductible. Deferred tax has been determined using the tax rates enacted at the balance sheet date, and as the rates changed, at the known new rate. A deferred income tax asset is recognized to the extent that it is probable that it can be utilized against future taxable income. The most significant temporary differences arise from defined benefit pension plans, property, plant and equipment (depreciation difference), inventory allowances, provisions, measurement at fair value of asset items relating to acquisitions and tax losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

GOODWILL

Goodwill arising from the business combinations is the difference between the consideration given, non-controlling interests in the acquire, the acquisition date fair value of the acquirer's previously held interest in the acquire and the fair value of the acquired net assets. Goodwill is not amortised but tested for impairment annually and always when there are indications that the value might be impaired. For the purpose of impairment testing, the goodwill is allocated to the cash generating units. Goodwill is recognised at its original acquisition cost, less impairment losses.

The carrying amount of goodwill is tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level (CGUs) for which there are separately identifiable, independent and cash inflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by using value-in-use method. The value in use is determined by reference to discounted future cash flows expected to be generated by the asset. The discount rate used is pre-tax and reflects the time value of money and asset specific risks. Impairment loss is immediately recognized in the income statement. The impairment loss recognised of goodwill is never reversed.

INTANGIBLE ASSETS

Intangible assets include trademarks, customer relationships, immaterial rights, other capitalized development expenses i.e. patents, copyrights, licenses and software. An intangible asset is recognized in the balance sheet only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. The intangible assets with definite useful life are amortized on a straight-line basis over the expected useful lives of the asset. The intangible assets with indefinite useful lives are not amortized but tested for impairment annually. Such items are primarily trademarks, that at the time of the acquisition have been considered as strategical from a group perspective and for which there is no plan to end the use of the trademark.

The valuation of intangible assets acquired in a business combination is based on fair value as at the date of acquisition. Expected useful lives and indefinite lives of intangible assets are reviewed at each

balance sheet date and, where they differ significantly from previous estimates, amortization periods are changed accordingly.

The estimated useful lives for intangible assets are as follows:

• Customer relationships	5–10 years
• Trademarks	from 5 years to indefinite life time
• Immaterial rights	5–10 years
• Other capitalised expenditure	3–10 years

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The acquisition cost includes all costs directly relating to the acquisition of the asset. If significant parts of an item of property, plant and equipment have different useful lives, then they are recognised as separate items (major components) of property, plant and equipment. The assets acquired in the business combination are valued at fair value at the date of the acquisition. Ordinary maintenance and repair costs are expensed as incurred. The cost of significant renewals of the real estates are capitalized and depreciated over the remaining useful lives of the related assets.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, a major initial investment, such as a new production facility, form part of the cost of that asset. Other borrowing costs are recognized as an expense.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

• Buildings and structures	10–50 years
• Machinery and equipment	3–25 years
• Other tangible assets	3–10 years

Depreciations are commenced when the asset is ready for use, in such a location and condition that it can be used as the management of the company has intended. Land and water are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The carrying amounts tangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If indication exists, the recoverable amount is measured. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss in the other operating income or costs.

GOVERNMENT GRANTS

Grants from the government are recognised as reductions of the carrying amount of tangible assets when there is a reasonable assurance that the grant will be received, and the Group will comply with all conditions. Grants are recognised in the consolidated statement of comprehensive income in the form of smaller depreciation over the economic life of the related asset. Research and development grants and grants received as reimbursement for actual costs are recognised into profit during the period in which the right to collect the grant emerges. Such grants are presented in other operating income.

LEASES

Group leases various properties, equipment and cars. Leased properties relate mostly to stores and cafes which typically have

leasing periods of 3 to 5 years. Equipment includes a wide range of different types, but the most significant are the power plants for which rental periods are approximately 20 years. Cars are generally leased for 3 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by the Group. According to IFRS each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are measured on a present value basis. The measurement includes non-cancellable lease payments, as well as payments to be made for optional periods if Group is reasonably certain to exercise the extension option. The lease payments are discounted using interest rate implicit in the lease, if that rate can be determined, or using Group's incremental borrowing rate.

The Group is applying recognition exemptions under IFRS 16 for short-term leases (less than twelve months) and leases of low value assets. The Group has classified, amongst others, laptops and other low value IT equipment as well as low value machinery as low value assets. These are not recognised into balance sheet, but payments are recognised on a straight-line basis as an expense in profit or loss statement.

Lease liability is initially measured at the amount of net present value of the following lease payments

- a) fixed payments, less any lease incentives receivable,
- b) variable lease payments that are depending on an index or a rate that originally are based on the index or price level at the commencement date,
- c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use asset is measured at cost comprising of the following:

- a) the amount of the initial measurement of lease liability,
- b) any lease payments made at or before the commencement date
- c) any initial direct costs and
- d) restoration costs.

Contingent rents

Some property leases contain variable payment terms that are linked to sales generated from the store or other variable element, like amount of rented pallet space in warehouse. For some individual stores, up to 100% of lease payments are based on variable payment terms or is based on sales with a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs for newly established store or according to other general practice. Changes in conditions regarding variable lease payments are recognised in the profit and loss statement in that period in which the change of the condition

in the leasing contract has taken place. Variable lease payments that depends on sales are recognised in profit and loss in the period in which the condition that triggers those payments occurs.

A part of the payments in relation to power plants are considered variable. These payments are generally linked to the capacity utilisation of the power plant and depend, amongst other, on the different fuel types that are used.

Certain property lease payments are linked to an inflation index. Variable lease payments based on an index are part of the lease liability and are measured initially using the index at the commencement date. Future changes of the index are considered in measurement at the point in time in which lease payments change.

Critical judgements in determining lease term

Management assess whether group has economic incentive to exercise the extension option or not exercise the termination option. All facts and conditions creating economic incentive for group are considered. The validity of this assessment is reassessed upon the occurrence of either significant event or a significant change in circumstances which affect this estimation.

FINANCIAL ASSETS AND LIABILITIES

A financial asset or liability is recognised when the Group becomes a party to a contract comprehending a financial asset or liability. Financial assets are classified in accordance with IFRS 9 depending on the business model for managing financial assets and the contractual terms of the cash flows in the following measurement categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income. Financial liabilities

are classified either at amortized cost or fair value through profit or loss. Financial assets, including derivatives, are initially recognised at fair value. Financial assets recognized at amortized cost are valued using the effective interest method, deducted by transaction costs. Other financial assets are valued at their fair value either through profit or loss or through other comprehensive income, based on the classification above. The method for estimating credit losses in relation to trade receivables is described in section "Trade receivables". Financial liabilities are initially recognised at amortized cost. Derivatives are recognised at fair value. Loans are measured at amortized cost using the effective interest method. Other financial liabilities are valued at their fair value through profit or loss. Financial assets and liabilities arising from derivatives are valued at fair value at the end of each reporting period, either through profit or loss or through other comprehensive income.

Financial assets and liabilities measured at fair value are presented according to the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets are available for identical assets and liabilities.
- Level 2: All inputs with a significant impact on the fair value of an asset or liability are observable in the market, either directly or indirectly.
- Level 3: All inputs which have a significant impact on the fair value of an asset or liability are not observable in the market.

Financial asset measured at amortized cost consists of other non-current loan receivables, trade receivables and cash and cash equivalents. Cash and cash equivalents include deposits, which

are made to ensure return on liquid funds. Return from deposits consists of interest and repayment of initial principal as the deposit matures. Trade and loan receivables include those items where the business model is to hold the asset to collect the contractual cash flows. Financial assets measured at fair value through profit or loss and at fair value through other comprehensive income consists of non-current and current financial assets, such as commercial papers, contingent consideration receivables, shares and other holdings in unlisted entities as well as loans to aforementioned entities. These financial assets are measured at fair value through profit or loss with the exception of strategic investments, which have been irrevocably classified as fair value through other comprehensive income. Shares of unlisted companies are initially measured at cost and subsequent measurement is assessed continuously.

Financial liabilities measured at amortized cost include loans from financial institutions, leasing debt, commercial papers, trade payables and loans from third parties that are not financial or pension institutions. Transaction costs are deducted from the principal amount and the difference is expensed using the effective interest method. Financial liabilities measured at fair value through profit or loss consist of contingent consideration liabilities. All transaction cost and changes to the fair value is recognized through profit or loss. Financial liability is derecognized when the debt has been extinguished, i.e. once the related obligation is discharged, cancelled or expired.

Arrangement fees in relation to credit facilities are capitalised as prepayments and expensed over the period of the facility if there is no evidence that it is probable that some or all of the facility will be drawn down. Other costs in relation to borrowings are expensed when incurred.

Derivative instruments are measured at fair value defined as the amount at which knowledgeable market participants would be willing to exchange the instruments at the measurement date. The fair values of currency forward agreements are calculated by comparing agreed forward rates to market forward rates on the reporting date. The Black & Scholes model is used when calculating fair values of currency options. The fair values of commodity futures are calculated by comparing the agreed futures prices to futures prices prevailing on the market on the closing date. Changes in the fair value of derivatives relating to financing transactions are recognised in the financial items in the income statement.

Hedge accounting is applied on foreign exchange and commodity hedging transactions entered into in relation to certain highly probable raw material purchases and certain highly probable sales transactions denominated in foreign currencies. These are designated as cash flow hedge relationships. Hedging relationship is recognised and documented, when an economic relationship exists between the hedging instrument and the hedged item, and the central terms of the hedging instrument are similar to central terms of the hedged item. The effectiveness of the hedge is evaluated as the hedging relationship is recognised, and forward-looking effectiveness testing is carried out at each reporting date. To the extent these relationships are effective, the change in fair value of the hedging relationship is recognised in the hedging reserve in equity. The relevant fair value reserve is transferred to the initial cost of the related raw material purchase or income from the related sale when it is recognised. The fair value portion of hedges is allocated to hedged raw material, work in progress and finished goods in proportion to how much relevant raw material is included in them at the period end closing. The result of electricity

derivatives, entered into to hedge electricity expenses, are included in electricity expenses in other operating expenses at closing. At the balance sheet date, the market value of open derivatives is recognised in financial income and expenses. The fair value portion of hedges in relation to sales that have been recognised in equity are allocated to the income statement when the sale that they relate to occurs. The ineffective portion is recognised immediately in the income statement, if the fair value change of the component designated as hedging instrument exceeds the fair value change of the hedged item in absolute terms.

Fazer designates the spot component of foreign currency forward contracts as a hedging instrument in cash flow hedging relationships. The forward element of foreign currency forward contracts is recognised as cost or income without deferral. Gains and losses from raw material derivatives are recognised in the material costs, inventory values and fair value reserve. The Group does not have embedded derivatives.

TRADE RECEIVABLES

Trade receivables are recognised in the amounts of initial sale. For accounting the expected credit losses, the group applies the simplified approach in IFRS 9, according to which all trade receivables are deducted by the estimated and expected credit loss for the whole credit period. The expected credit losses are based on assumptions related to probability of neglecting the payments and degree of the losses. In making these assumptions judgement is used. The judgement is based on historical information, market conditions as well as anticipated assumptions made at the end of each period. Trade receivables are written off as credit losses when a decision regarding bankruptcy has been

received and otherwise based on local legislation. Credit losses are recognised as expenses in other operating expenses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included in borrowings in current liabilities in the statement of financial position.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the FIFO-method (first-in, first-out) or, alternatively, weighted average cost or standard cost method where the result of it approximates the result of the FIFO-method. The cost of finished goods and work in progress comprises raw materials, direct labour, depreciation, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are measured at the present value of the required payments to cover the obligation. For the calculation of the present value, the chosen discount rate is one that reflects the time value of money and the risks included in the obligation at the time of observation. If it is possible to receive reimbursement

for part of the obligation from a third party, the reimbursement is stated as a separate asset when receipt is practically certain.

A provision for business restructuring is recognized only when a detailed and formal plan has been established, when there is a valid expectation that such a plan will be carried out and the plan has been communicated.

A contingent liability is a possible obligation, incurred as a result of earlier events, whose existence is confirmed only when an uncertain event outside the control of the Group is realised. An existing liability that is not likely to require the fulfilment of the payment obligation or whose amount cannot be reliably measured is also considered a contingent liability.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

In defined contribution plans, the Group makes fixed payments to a separate entity. The Group has no legal obligation to make additional payments if the recipient of the payments is unable to pay for the retirement benefits in question. All arrangements that do not meet these conditions are defined benefit pension plans. Payments made to defined contribution pension plans are recognized as a result of the period during which they are charged.

Defined benefit plans

The present value of the obligation of defined benefit plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined using interest rates of high-quality corporate bonds that have maturity terms approximating to the terms of the related defined benefit obligation. The liability or asset recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting period closing date less fair value of plan assets.

Remeasurements, including actuarial gains and losses, are recognized to equity through other comprehensive income when incurred and are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in the income statement at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs or termination benefits are recognized. For defined benefit plans the Group reports the current and past service cost as well as gains and losses on non-routine settlements in personnel expenses. The net interest income or expense is recognized in financial income or expenses.

The net interest is determined by applying the discount rate used to determine present value of obligation to the net defined benefit liability or asset at the beginning of the annual period. In addition, the changes during the period caused by contributions and benefit payments are taken into account.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled within 12 months of the end of the reporting period, then they are discounted.

OPERATING PROFIT

According to the definition used by the Group, Operating profit is the net amount arising from adding other operating income and share of results in associates to net sales, deducting cost of sales corrected for changes in inventories, deducting costs related to employee benefits, depreciation and possible impairments as well as other operating expenses. Foreign exchange differences and changes in the fair value of derivative financial instruments are included in operating profit in case they originate from operative business items; otherwise they are booked in financial income and expenses.

DIVIDENDS

Dividends are recognised as liabilities after the Annual General Meeting of Shareholders approves the amount of dividends.

2.4 Adoption of new and amended standards

CHANGES IN ACCOUNTING STANDARDS

Fazer has not adopted any such standards or interpretations published by the International Accounting Standards Board during the reporting period that would have had a significant effect on the Fazer Group's result, financial position or the presentation of the financial statements.

IFRS Interpretations Committee, IFRIC gave in March 2021 an agenda decision related to IAS 38 Intangible Assets on how to account for configuration and customisation costs in a cloud computing arrangement. Fazer has analysed its accounting policies in relation to how implementation costs of Cloud Computing arrangements are accounted for and how the decision affects items included in intangible assets as well as on ongoing IT-projects which includes cloud computing arrangements. As a result of this analysis Fazer expensed EUR 1.0 million in relation to IT-projects started during 2021. The decision has no material impact on previous reporting periods.

NEW AND FORTHCOMING STANDARDS AND INTERPRETATIONS

New and amended standards or interpretations that were issued by the balance sheet date and effective from 1 January 2021 or later are not expected to have a material impact on Fazer Group's result, financial position or the presentation of the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Financial statements in accordance with the IFRS requires management to make judgements, estimates and assumptions that affect the measurement of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in the statement of income. Although these estimates and assumptions are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

DETERMINATION OF FAIR VALUE OF ASSETS ACQUIRED AS PART OF BUSINESS COMBINATIONS AND CONTINGENT CONSIDERATION

Classification or determinations related to business combinations are made based on the terms of contract, economic conditions, the operating or accounting principles applied by Group and other pertinent circumstances prevailing at the time of acquisitions.

Where possible, the fair values of assets and liabilities are determined by reference to market values insofar as they are available. If no market values are available, the measurement is based on the estimated capacity of the assets to generate income and its future use in Fazer Group's operating activities. The measurement of intangible assets, in particular, is based on the present value of future cash flows and requires that the management make estimates regarding future cash flows, discount rate and the use of assets.

The acquisition-date fair value of contingent consideration is recognised as part of the consideration transferred. When contingent consideration is classified as a financial liability, it is recognised at fair value at the end of the reporting period and the change in fair value is recognised in profit and loss.

The management believes that the estimates and assumptions made are accurate enough for the determination of fair value. Additionally, the Group monitors any indications of any impairment of property, plant and equipment and intangible assets.

DEFINED BENEFIT OBLIGATIONS – ACTUARIAL ASSUMPTIONS

The present value of pension obligations is subject to the actuarial assumptions used by actuaries to calculate these obligations. Several actuarial assumptions are used in calculating the expenses and obligations related to the plans. These factors include, among others, assumptions about the discount rate, changes in future compensation and employee service life. Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. Retirement benefit obligations are disclosed in Note 18.

RECOGNITION AND MEASUREMENT OF PROVISIONS

The most significant provisions in the statement of financial position relate to leasing/restoration provision. The judgement applied mainly relates to the estimated amounts of costs. The precise amount and timing of these costs could differ from estimates. More details are provided in Note 16.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Group annually tests goodwill and other intangible assets whose useful life is estimated to be indefinite for impairment. The parent companies in Group, in turn, test the cost of subsidiary shares. The amounts recoverable from cash-generating unit's operating activities are determined based on value-in-use calculations. In these calculations, forecast cash flows are based on 5-year financial plans approved by the management. In addition, the Group reviews the carrying amounts of its non-financial assets at each reporting date to determine whether there is any indication of impairment. If indication exists, the recoverable amount is measured. Indications of potential need for impairment may be for example changes in market conditions and sales prices, decisions on significant restructurings or change in profitability. These calculations require the use of judgement. More details are provided in Note 10.

DEFERRED TAXES

Uncertainty exists related to the availability of future taxable profit against which tax losses carried forward can be used. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and the level of future taxable profits. More details are provided in Note 7.

4. NET SALES

Segment information

Fazer does not present segment information or apply IFRS 8 Operating Segments, since its equity or debt instruments are not traded in a public market.

Disaggregation of revenue from contracts with customers

Fazer manufactures and sells a range of bakery, biscuit, confectionery and grain products as well as plant-based meals through wholesale and retail markets. Fazer also operates some cafes and restaurants at selected locations. Net sales from contracts with customers amounted to EUR 1.1 (1.1) billion in continuing operations.

Revenue is recognised when the control of the product is transferred to the customer. This determines whether the revenue is recognised over time or at point in time. Revenue from sale of goods are recognized at point in time. All revenue in continuing operations is recognised at point in time.

Net sales by Fazer business area

MEUR	2021	2020
Fazer Bakery	553.9	548.0
Fazer Confectionery	433.5	400.1
Fazer Lifestyle Foods	179.5	177.3
Common Operations	18.1	15.1
Internal sales	-45.2	-39.2
Total	1,139.8	1,101.2

Net sales by country

MEUR	2021	2020
Finland	638.5	615.3
Sweden	218.6	230.8
Russia	157.4	147.9
Estonia	23.5	19.9
Latvia	15.5	14.8
Norway	15.5	7.5
Lithuania	14.0	13.6
Denmark	13.8	14.8
Other countries	42.9	36.8
Total	1,139.8	1,101.2

5. OTHER OPERATING INCOME AND EXPENSES

5.1 Other operating income

MEUR	2021	2020
Gain from sales of non-current assets	4.6	2.8
Rental income	1.7	2.2
Sale of services	1.0	8.3
Others	7.7	9.5
Total	14.9	22.8

5.2 Materials and services

MEUR	2021	2020
Purchases during the period	432.1	398.7
Change in inventory	-10.4	2.6
External services	10.0	4.2
Total	431.7	405.5

5.3 Employee benefit expenses

MEUR	2021	2020
Wages and salaries	256.8	251.8
Pension costs - defined contribution plans	39.2	36.5
Pension costs - defined benefit plans	0.2	0.1
Other employee benefit expenses	2.3	1.6
Social security costs	25.9	27.4
Total	324.3	317.4

Personnel on average per Fazer businesses

	2021	2020
Fazer Bakery	4,826	5,076
Fazer Confectionary	1,555	1,531
Fazer Lifestyle Foods	494	443
Common Operations	248	266
Total	7,123	7,316

5.4 Other operating expenses

MEUR	2021	2020
Other social expenses	7.6	7.5
Rents	27.5	21.7
Energy	37.9	29.0
Production maintenance expenses	61.5	61.6
IT expenses	16.0	18.0
Travel expenses	5.0	5.1
Freight and other transport expenses	68.1	70.2
Marketing expenses	37.1	41.2
Administrative expenses	37.4	28.7
Loss from sales and scrapping of non-current assets	1.8	1.2
Total	299.9	284.2

Audit fees

	2021	2020
PricewaterhouseCoopers		
Audit	0.7	0.7
Tax services	0.0	-
Other services	0.3	0.3
Total	1.0	1.0

6. FINANCIAL INCOME AND EXPENSES

MEUR	2021	2020
Dividend income	-	-
Interest income		
Cash, cash equivalents and other financial assets	0.4	1.0
Derivatives	1.3	1.5
Other interest income	0.0	0.0
Exchange rate differences		
FX derivatives	2.5	0.3
Commodity derivatives	5.9	-
Other	-	-
<u>Other financing income</u>	0.5	4.6
Finance income	10.6	7.4
Interest expenses		
From leasing liabilities	-0.9	-0.6
Net-interest from defined benefit plans	-0.1	-0.1
Liabilities to financial institutions	-0.4	-0.5
Derivatives	-0.2	-0.1
Other interest expenses	-0.6	-3.8
Exchange rate differences		
FX derivatives	-	-
Commodity derivatives	-	-
Other	-2.3	-10.0
Fees and expenses related to interest bearing debt	-0.4	-0.5
<u>Other financing expense</u>	-0.1	-2.0
Finance expense	-5.0	-17.5

Interest income arises from financial assets, foreign exchange transactions and other financing activities. Foreign exchange gains and losses arise from foreign exchange transactions, investments in financial instruments and bank accounts. Other financing income included previous year the recognition of the contingent consideration liability of Bioferme Oy and any other income related to financing transactions.

Interest expenses arise from negative interest on bank accounts, foreign exchange transactions, commercial paper funding and other financing transactions. Previous year other interest expenses also included losses arising from investments in financial instruments. Fees and expenses related to financing transactions include fees incurred and paid for the arrangement and availability of funding sources. Other financing expenses include other expenses related to financing transactions.

Financial income and a significant part of financial expenses, with the exception of income and expenses from derivatives, as well as income from financial assets, derives from assets and liabilities measured at amortised cost. Previous year other financial income included received option premiums in the amount of EUR 1.9 million. Previous year other financial expense included paid option premiums in the amount of EUR 1.9 million. Such items did not exist in 2021.

7. TAXES

7.1 Income taxes

MEUR	2021	2020
Income taxes, continuing operations		
Current tax on profits for the year	-10.4	-8.7
Adjustments of current taxes for prior periods	0.2	0.5
Other taxes	-0.6	-
Total income taxes, continuing operations	-10.8	-8.2
Deferred taxes, continuing operations		
Decrease (-) / increase (+) of deferred tax assets	0.0	-0.7
Decrease (+) / increase (-) of deferred tax liabilities	-3.1	-0.4
Total deferred taxes, continuing operations	-3.1	-1.0
Total income taxes, continuing operations	-13.9	-9.2
Other comprehensive income		
Taxes related to items in other comprehensive income	-0.2	0.0
Total	-0.2	0.0

Reconciliation of effective tax rate, continuing operations

MEUR	2021	2020
Profit before tax	45.9	41.8
Parent company's tax rate	20.0%	20.0%
Tax computed at parent company's tax rate	-9.2	-8.4
Effect of different tax rates in foreign subsidiaries	-0.1	0.3
Effect of non-deductible expenses	-1.2	-0.6
Effect of income not subject to tax	0.3	0.9
Goodwill impairment	-	-
Utilisation of previously unrecognised tax losses carried forward	0.6	0.1
Unrecognised taxes on losses carried forward	-3.6	-1.9
Changes in corporate tax rates	-	0.3
Other adjustments of deferred taxes	-0.5	-0.6
Tax for previous financial periods	0.2	0.5
Other items	-0.5	0.1
Taxes in income statement	-13.9	-9.2
Effective tax rate (%)	30.3	22.1

7.2 Losses carried forward

MEUR	Total losses carried forward		Recognised deferred tax assets	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Expiry within five years	-	-	-	-
Expiry after five years	-	-	-	-
No expiry	1.8	1.7	0.4	0.4
Total	1.8	1.7	0.4	0.4
Losses carried forward for which no deferred tax has been recognised				
MEUR	31 Dec 2021		31 Dec 2020	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Expiry within five years	0.1	0.1	0.0	0.0
Expiry after five years	0.0	2.2	0.0	0.7
No expiry	46.9	30.9	9.7	6.4
Total	47.0	33.1	9.7	7.0
Unrecognised deferred tax asset				

7.3 Deferred tax assets and liabilities

MEUR	1 Jan 2021	Recognised in other comprehensive income				31 Dec 2021	
		Recognised in income statement	Business acquisitions and disposals	Reclassification	Exchange rate differences		
Deferred tax assets							
Intangible assets	7.4	0.0	-	-	0.4	0.0	7.7
Tangible assets	1.0	-0.3	-	-	0.1	0.0	0.8
Financial assets	0.0	-	-	-	-	-	0.0
Inventory	0.3	-0.1	-	-	0.0	0.0	0.3
Employee benefits	0.9	0.0	0.0	-	0.0	0.0	0.9
Provisions	0.2	0.6	-	-	-	0.0	0.8
Tax losses carried forward	0.4	0.0	-	-	-	0.0	0.4
Other items	1.7	-0.3	-	-	-0.4	0.1	1.1
Total	12.0	0.0	0.0	-	0.0	0.1	12.0
Netting of deferred taxes	-11.6					-11.6	
Total	0.4					0.5	0.4
Deferred tax liabilities							
Intangible assets	5.7	0.0	-	-	-	-0.1	5.6
Tangible assets	22.5	3.1	-	-	0.0	0.2	25.8
Financial assets	0.0	0.0	0.2	-	-	-	0.2
Inventory	2.3	0.2	-	-	-	0.0	2.5
Employee benefits	0.1	0.0	-	-	-	0.0	0.1
Provisions	0.0	-	-	-	0.0	-	0.0
Other items	0.2	-0.2	-	-	-	0.0	0.0
Total	30.7	3.1	0.2	-	0.0	0.1	34.1
Netting of deferred taxes	-11.6					-11.6	
Total	19.2					22.5	19.2

MEUR	1 Jan 2020	Recognised in other comprehensive income				31 Dec 2020		
		Recognised in income statement	Business acquisitions and disposals	Reclassification	Exchange rate differences			
Deferred tax assets								
Intangible assets	7.5	0.5	-	-	-0.6	-	0.0	7.4
Tangible assets	1.5	-0.4	-	-	-0.1	-	0.0	1.0
Financial assets	0.0	-	0.0	-	-	-	-	0.0
Inventory	0.3	0.0	-	-	-	-	-0.1	0.3
Employee benefits	1.1	-0.2	0.0	-	-	-	0.0	0.9
Provisions	0.2	0.0	-	-	-	-	0.0	0.2
Tax losses carried forward	0.9	-0.6	-	-	-	-	0.0	0.4
Other items	2.0	0.0	-	-	-	-	-0.3	1.7
Total	13.7	-0.7	0.0	-0.7	-	-0.3	12.0	
Netting of deferred taxes	-13.2					-11.6		
Total	0.5					0.4	0.4	
Deferred tax liabilities								
Intangible assets	6.2	-0.7	-	-	-	-	0.2	5.7
Tangible assets	22.5	0.7	-	0.0	0.0	0.0	-0.7	22.5
Financial assets	0.0	-	0.0	-	-	-	-	0.0
Inventory	1.8	0.4	-	-	0.1	0.0	0.0	2.3
Employee benefits	0.1	-0.1	-	-	-	-	0.0	0.1
Provisions	0.0	-	-	-	-	-	-	0.0
Other items	0.4	0.0	-	-	-0.1	-0.1	0.2	0.2
Total	31.0	0.4	0.0	0.0	-	-0.6	30.7	
Netting of deferred taxes	-13.2					-11.6		
Total	17.9					19.2	19.2	

8. PROPERTY, PLANT AND EQUIPMENT

MEUR	Owned assets					Right-of-use assets				Total
	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Land and water	Buildings and structures	Machinery and equipment		
Cost at 1 Jan 2020	40.7	268.2	729.4	14.2	35.1	0.3	76.0	26.1	1,190.1	
Business acquisitions	0.1	7.2	1.4	-	-	0.4	-	-	9.2	
Additions	0.4	12.7	21.3	1.0	62.1	0.0	7.5	7.8	112.8	
Disposals	-0.2	-0.4	-5.6	-0.2	0.0	-	-7.7	-4.8	-18.9	
Reclassifications	0.0	11.7	12.0	0.2	-24.3	-	-	-	-0.4	
Exchange rate differences	-0.5	-6.2	-14.9	-0.1	-0.7	0.0	0.8	0.1	-21.6	
Cost at 31 Dec 2020	40.5	293.2	743.8	15.0	72.2	0.8	76.7	29.2	1,271.3	
Business acquisitions	-	-	-	-	-	-	-	-	-	
Disposal of businesses	-	-	-	-	-	-	-	-	-	
Additions	-	8.8	22.5	2.3	45.6	-	10.7	15.4	105.3	
Disposals	-0.2	-4.3	-26.2	-0.7	-0.3	-	-2.4	-7.8	-42.0	
Reclassifications	0.0	13.9	15.2	0.0	-31.8	-	-	-0.2	-2.8	
Exchange rate differences	0.1	1.1	2.0	0.0	0.2	0.0	-0.5	0.0	3.0	
Cost at 31 Dec 2021	40.4	312.8	757.2	16.6	85.9	0.8	84.5	36.5	1,334.8	
Accumulated depreciation and impairment losses at 1 Jan 2020	-7.4	-157.3	-548.7	-8.5	0.0	-0.1	-41.3	-15.0	-778.3	
Disposal of businesses	-	-	-	-	-	-	-	-	0.0	
Depreciations	0.0	-9.3	-36.1	-1.3	-	0.0	-9.9	-3.9	-60.6	
Impairment losses	-2.3	-	-	0.0	-	-	-	-	-2.3	
Depreciations on disposals and reclassifications	-	0.4	4.6	0.2	0.0	-	4.9	3.7	13.9	
Exchange rate differences	0.0	2.1	10.6	0.1	-	0.0	-0.4	-0.1	12.3	
Accumulated depreciation and impairment losses at 31 Dec 2020	-9.7	-164.1	-569.6	-9.5	-	-0.1	-46.7	-15.3	-815.0	
Business acquisitions	-	-	-	-	-	-	-	-	-	
Disposal of businesses	-	-	-	-	-	-	-	-	-	
Depreciations	-	-10.7	-35.0	-1.6	-	0.0	-9.3	-4.1	-60.7	
Impairment losses	1.9	-	-	0.0	-	-	-0.5	-1.3	0.1	
Depreciations on disposals and reclassifications	-	4.8	24.5	1.0	-	-	2.1	5.9	38.4	
Exchange rate differences	-	-0.4	-1.4	0.0	-	0.0	0.3	0.0	-1.5	
Accumulated depreciation and impairment losses at 31 Dec 2021	-7.7	-170.3	-581.4	-10.1	-	-0.1	-54.1	-14.8	-838.6	
Carrying amount										
31 December 2021	32.6	142.5	175.8	6.5	85.9	0.7	30.4	21.7	496.2	
31 December 2020	30.8	129.1	174.1	5.5	72.2	0.7	30.0	13.9	456.3	

During 2021 borrowing costs amounting to EUR 115 (151) thousand were capitalised. The Group's average interest rate of borrowings was applied as the capitalisation rate, which was 0.37%.

9. INTANGIBLE ASSETS

MEUR	Goodwill	Customer relationships	Trademarks and other immaterial rights	Other capitalised expenditure	Advance payments and work in progress	Total
Cost at 1 Jan 2020	158.6	3.7	47.8	56.4	0.0	266.5
Business acquisitions	0.7	-	-	-	-	0.7
Additions	-	-	-	0.7	0.0	0.7
Disposals	-0.6	-	0.0	0.0	0.0	-0.6
Reclassifications	-	-	0.0	0.4	0.0	0.3
Exchange rate differences	0.4	0.2	0.7	-0.5	0.0	0.7
Cost at 31 Dec 2020	159.1	3.8	48.4	57.0	0.0	268.3
Business acquisitions	-	-	-	-	-	0.0
Additions	-	-	-	2.7	0.0	2.7
Disposals	-	-	0.0	-0.4	0.0	-0.4
Reclassifications	-	-	0.0	1.2	0.0	1.2
Exchange rate differences	-0.4	-0.1	-0.4	0.1	0.0	-0.8
Cost at 31 Dec 2021	158.7	3.7	48.1	60.6	0.0	271.1
Accumulated depreciation and impairment losses						
at 1 Jan 2020	-	-1.4	-7.1	-50.3	-	-58.9
Depreciations	-	-0.4	-1.0	-3.2	-	-4.6
Depreciations on disposals and reclassifications	-	0.2	-0.2	0.0	-	0.0
Exchange rate differences	-	-0.1	0.1	0.5	-	0.4
Accumulated depreciation and impairment losses						
at 31 Dec 2020	-	-1.7	-8.3	-53.0	-	-63.0
Business acquisitions	-	-	-	-	-	-
Depreciations	-	-0.4	-1.1	-2.7	-	-4.1
Impairments and reversal of impairments	-	-	-	-	-	-
Depreciations on disposals and reclassifications	-	-	0.0	0.3	-	0.3
Exchange rate differences	-	0.0	0.0	-0.1	-	-0.1
Accumulated depreciation and impairment losses						
at 31 Dec 2021	-	-2.0	-9.3	-55.5	-	-66.9
Carrying amount						
31 December 2021	158.7	1.7	38.8	5.1	0.0	204.2
31 December 2020	159.1	2.1	40.2	4.0	0.0	205.3

10. GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The impairment testing of goodwill and trademarks were performed for Fazer's cash generating units; Fazer Bakeries, Fazer Confectionery and Fazer Lifestyle Foods, according to the current business organization and responsibilities. Based on the conducted impairment testing there was no need to record an impairment for goodwill or trademarks during the current or previous financial period.

MEUR	31 December 2021			31 December 2020		
	Goodwill	Trade marks*	Discount rate (WACC)**	Goodwill	Trade marks*	Discount rate (WACC)**
Fazer Bakery	12.6	-	9,8	12.6	-	10.6
Fazer Confectionery	81.2	18.5	6,0	81.2	18.5	6.9
Fazer Lifestyle Foods	64.9	17.8	6,1	65.3	18.1	6.8
Total	158.7	36.2		159.1	36.6	

* Intangible assets with indefinite useful lives

** Before tax (%)

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (discounted cash flow method). The planning period for cash flows is five years. The cash flow projections are based on a long-term financial plan which is based on the strategy approved by the management. In defining the long-term plans for each CGU, the management makes use of growth, demand, and price estimates by market research institutions. Furthermore, the estimated sales and profits and the CGU specific long-term plan are used in the calculations. Cash flows after the forecast period have been extrapolated at a constant growth factor of 1% or 2%. The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) as defined by Fazer, in which company specific risk premiums are considered. The components of WACC are risk-free long-term government bond rates, market and industry risk premiums, cost of debt, target capital structure and country specific risks.

Fazer has estimated the effects of uncertainty that the COVID-19 pandemic has on future cash flows in the goodwill impairment tests.

Sensitivity analysis

The sensitivity analyses of goodwill impairment tests indicate that no reasonable change in the central assumptions used by Fazer (net sales, profitability and discount rates), which could be considered as somewhat likely, could result in impairment loss of goodwill.

11. FINANCIAL ASSETS AND LIABILITIES

11.1 Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity and refinancing risks, and counterparty risks. The Treasury Policy is approved by the Board of Directors which defines the objectives and principles within which the financial risks are to be managed in the Group. The financial risk management is centralised to the Group Treasury in the parent company. The Group Treasury functions as the internal bank for the Group, offering financial services to the Group companies. The Group Commodity Risk Management Policy, approved by the Board of Directors, governs the commodity specific risk management policies. These policies more specifically define the principles for each of the most central commodities. The Group aims to operate with low risk in all financing activities. All transactions in financial derivative instruments are undertaken to manage risks and financial costs arising from underlying business or financing activities.

Foreign exchange risk – transaction risk

The Group is exposed to fluctuations in various currencies. Revenue and costs arise in the Group's main sales currencies - DKK, EUR, NOK, RUB and SEK. In addition to this cocoa purchases are denominated in GBP and purchases of nuts are denominated in USD. According to the Policy the open currency position, calculated for subsequent 12 months, exceeding the equivalent of EUR 2 million in any foreign currency needs to be hedged to a minimum of 30%, unless economic circumstances render appropriate hedging transactions unfeasible. In addition to forecasted commercial flows and agreed financial derivatives, balance sheet items denominated in foreign currency, in relation to the functional currency, form the total foreign currency position.

The below table presents the operative currency exposure at the end of the financial period, including the agreed hedging transactions. The trade receivable and payable exposures include both external and intercompany transactions in foreign currencies in relation to the functional currency.

Foreign currency exposure, 31 December 2021

MEUR	GBP	NOK	RUB	SEK	USD
Trade receivables	0.0	1.2	1.3	9.0	-0.4
Trade payables	-4.0	-0.1	-	-1.5	-0.3
Bank accounts	-0.3	-1.8	0.1	40.2	-0.3
Loans and deposits	-	2.0	-17.6	7.7	0.4
Foreign exchange hedges	27.8	-	17.2	-75.4	2.6
Operative exposure, net of hedges	23.4	1.3	1.0	-20.0	1.9

Foreign currency exposure, 31 December 2020

MEUR	GBP	NOK	RUB	SEK	USD
Trade receivables	0.0	0.9	0.3	7.7	-0.4
Trade payables	-2.1	0.0	-	-1.9	-0.8
Bank accounts	0.5	1.0	0.4	2.5	0.0
Loans and deposits	-	-	-16.4	58.0	0.6
Foreign exchange hedges	18.8	-	19.8	-44.1	2.3
Operative exposure, net of hedges	17.2	2.0	4.1	22.2	1.7

The above position does not include forecast cashflows. As for bank accounts, a negative currency-specific balance in the Group's multicurrency cash pool is shown as a negative value under the respective currency.

A 10% change in the foreign exchange rates is presented in the table below.

MEUR	31 December 2021				
	GBP	NOK	RUB	SEK	USD
Operative exposure, net of hedges	23.4	1.3	1.0	-20.0	1.9
Effect of 10% adverse change	-2.1	-0.1	-0.1	-2.2	-0.2
Effect of 10% favourable change	2.6	0.1	0.1	1.8	0.2

MEUR	31 December 2020				
	GBP	NOK	RUB	SEK	USD
Operative exposure, net of hedges	17.2	2.0	4.1	22.2	1.7
Effect of 10% adverse change	-1.6	-0.2	-0.4	-2.0	-0.2
Effect of 10% favourable change	1.9	0.2	0.5	2.5	0.2

Maturities of the derivatives under hedge accounting and corresponding underlying position items are equal. There is no hedge inefficiency since the value change of discounted spot component of open derivatives is equal to discounted value change of the respective underlying item. No hedge inefficiencies were present during the reporting period. Inefficiencies can be caused by changes in demand forecasts or decreases in banks' credit ratings.

Foreign exchange risk – translation risk

Balance sheets of the subsidiaries denominated in other currencies than euro are translated using the foreign exchange rate of the reporting date. Exchange rate differences arising from this have been recorded in equity. As the investments are of long term nature, the equity in the subsidiaries is usually not hedged.

The table below shows the estimated impact on consolidated equity of 10% strengthening of the foreign currencies against euro, assuming hedging transactions have not been entered into. A 10% weakening of the foreign currencies would have approximately equal opposite effect.

MEUR	31 December 2021					
	NOK	RUB	SEK	DKK	JPY	USD
Equity	1.9	59.5	75.2	1.9	-	0.0
Change in equity	0.2	6.6	8.4	0.2	-	0.0

MEUR	31 December 2020					
	NOK	RUB	SEK	DKK	JPY	USD
Equity	1.6	56.2	54.4	1.7	-2.1	0.0
Change in equity	0.2	6.2	6.0	0.2	-0.2	0.0

Commodity risk

The Group is exposed to raw material price risks particularly in grain products and cocoa, as well as to electricity price risks. According to commodity specific risk management policies, minimum 100% of the subsequent 3 months need of grain and 6 months need of cocoa is required to be covered. Maximum 100% of the total raw material need during subsequent 12 months for cocoa, after which declining levels of coverage may be applied up to 24 months, and 16 months for grain may be hedged by a combination of stock, physical contracts and financial instruments. The Grain Risk Management Policy applies to grain purchases in Finland; the pricing mechanism differs in other Fazer markets, and the Group hedging principles are not applicable in all countries due to regulatory issues. The Cocoa Risk Management Policy applies to all cocoa purchases. Maximum 100% of the electricity need for the current year may be covered by physical contracts and financial derivatives. Declining levels of coverage are applied until the end of the third calendar year following the current calendar year. The Electricity Risk Management Policy applies for electricity purchases in Finland, Sweden and the Baltic countries.

The Group uses wheat options and futures to hedge grain exposures. At the end of the financial year grain derivatives in the amount of EUR 0.0 (0.8) million were outstanding. A 10% change in the price of wheat derivatives would have an impact of EUR 0 (0) thousand on the operating profit. The change would not impact equity as the grain derivatives are not hedge accounted. As of 31 December 2021, the wheat derivative position was closed. At the end of the financial year cocoa derivatives in the amount of EUR 15.4 (7.1) million were outstanding, which are hedge accounted. A 10% change in the price of cocoa derivatives would have an impact of EUR 0.7 (0.1) million in the fair value reserve. Gains and losses from wheat derivatives are recorded in material expenses in the income statement, and from cocoa derivatives in material expenses and fair value reserve in equity. The Group hedges against price risks inherent in electricity by entering into derivative agreements. At the end of the financial year electricity derivatives in the amount of EUR 6.8 (7.2) million were outstanding. A 10% change in the price would have an impact of EUR 0.7 (0.7) million on the operating profit. The change would not impact equity as the electricity derivatives are not hedge accounted.

Interest rate risk

The Group is exposed to interest rate risk to the extent it holds interest bearing assets and liabilities. According to Treasury Policy, a minimum of 30% of the forecast 12 months' interest bearing net debt shall be hedged, provided that the interest bearing net debt exceeds EUR 30 million. For the purposes of interest rate hedging, the interest-bearing net debt position does not include leasing liabilities or employment benefit liabilities. In 2021 and 2020 the interest-bearing net debt has not exceeded EUR 30 million, and thus no interest rate hedges have been entered into.

At the end of the financial year the Group's interest-bearing net debt, including leasing liability, was EUR -95.2 (-213.3) million. Cash and cash equivalents decreased from previous year by EUR 119.1 million to EUR 226.5 (345.6) million at the end of 2021. The interest-bearing debt is fixed rate based. Assuming stable interest-bearing net debt position, one percentage point parallel upward shift in interest rates level would cause a EUR 2.3 (3.5) million increase in the Group's interest gain. The calculation reflects the fact that above interest-bearing net debt consists of fixed rate debt. As the Group's all financing instruments are based on euribor, the LIBOR-reform does not have any significant effect on the Group's financing arrangements.

Liquidity and refinancing risk

Liquidity risk is minimised by ensuring a liquidity reserve that covers the operative day-to-day liquidity needs, that arise due to unexpected weakening of the cashflow, and needs that are created due to strategic actions. Excess cash is invested in time deposits, commercial papers and bank accounts. Fazer reacts to the possible COVID-19 pandemic's effects on the financial markets by maintaining good liquidity. The management monitors the cashflow development of the Group by compiling short and long term cash forecasts covering periods up to 18 months. The company signed a new multicurrency revolving credit facility in July 2021, the margin of the facility is partially dependent on the company's emission reduction targets. At the end of the financial year the liquidity reserve consisted of an unused committed multicurrency revolving credit facility in the amount of EUR 200 (140) million, short term money market investments in the amount of EUR 26.0 (26.5) million and of cash and bank in the amount EUR 226.5 (345.6) million. The final maturity date of the multicurrency revolving credit facility is in July 2026. The Group also has bilateral Commercial Paper (CP) programs in place with several Nordic banks. The CP programs are available until further notice. Fazer has complied with the financial covenants in its loan agreements during 2021 as well as 2020, and management expects this situation to continue.

Interest-bearing liabilities

MEUR

Non-current interest-bearing liabilities

Loans from financial institutions

40.0

-

Leasing liabilities

41.9

31.6

Total

81.9

31.6

Current interest-bearing liabilities

Commercial papers

14.0

77.9

Leasing liabilities

10.2

12.6

Other liabilities

25.2

10.2

Total

49.4

100.7

Interest-bearing liabilities, total

131.3

132.3

Interest-bearing liabilities are fixed-rate based. The liabilities are mainly denominated in EUR; of leasing liabilities EUR 41.7 (31.3) million equivalent is denominated in EUR, EUR 9.5 (12.3) million in SEK, EUR 0.0 (0.0) million in NOK, EUR 0.2 (0.1) million in DKK and EUR 0.6 (0.4) million in RUB. In 2021, new EUR 200 million multicurrency revolving credit facility was agreed. As per end of 2021 the entire multicurrency revolving credit facility of EUR 200 million was unutilised. The facility is used as a back-up facility for general corporate purposes. The interest margin on the facility depends on the utilisation level and certain financial ratios of the Group. The EUR 40 million loan facility from EIB was withdrawn during 2021 and it matures in April 2029. The EIB loan was used to finance the xylitol plant investment in Lahti as well as research and development in the Group.

Contractual maturity repayments on financial liabilities, 31 December 2021

MEUR	<1 year	1–5 years	5–10 years	>10 years
Financial institutions	-	28.5	11.5	-
Commercial papers	14.0	-	-	-
Leasing liabilities	11.0	26.4	12.1	7.3
Accounts payable	130.5	-	-	-
Derivatives - gross outflow	134.2	5.8	-	-
Derivatives - gross inflow	-127.6	-	-	-
Other	25.2	-	-	-
	187.3	60.7	23.6	7.3

Contractual maturity repayments on financial liabilities, 31 December 2020

MEUR	<1 year	1–5 years	5–10 years	>10 years
Commercial papers	78.0	-	-	-
Leasing liabilities	12.0	27.9	4.9	2.5
Accounts payable	105.7	-	-	-
Derivatives - gross outflow	97.7	2.3	-	-
Derivatives - gross inflow	-90.3	-	-	-
Other	10.2	-	-	-
	213.4	30.2	4.9	2.5

Financial transactions counterparty credit risk

The Treasury Policy states that counterparties to financial transactions must maintain creditworthiness that corresponds to investment grade credit rating. The creditworthiness may also be estimated by some other external party that is sufficiently familiar with rating methodologies, than a rating agency. Also, concerning financial investments such as interest rate funds, it is required that the average credit rating of at least 50% of the investment portfolio corresponds to investment grade. At most, 50% of the investment portfolio may carry a risk corresponding to at least BB/Ba2 rating. Any deviation from the policy is subject to a board decision. Financial derivatives are entered into with a number of creditworthy financial institutions, thus reducing concentration of risk towards any single counterparty.

Credit risk from operative business is defined as Fazer not receiving payments for its receivables. The management of trade receivables credit risk has been defined in the Group's customer credit policy. Open and past due trade receivables are monitored on a monthly basis. Credit limits and financial conditions of customers are monitored regularly and if needed, credit insurances can be used to reduce the credit loss risk of trade receivables. Fazer does not have significant concentration of customer credit risk.

11.2 Financial assets and liabilities by categories

Fair values of financial assets and liabilities by measurement category

MEUR	31 December 2021				31 December 2020			
	Carrying amount	Fair value through profit or loss	Fair value through OCI	Amortised cost	Carrying amount	Fair value through profit or loss	Fair value through OCI	Amortised cost
Assets								
Non-current financial assets	11.7	3.1	8.5	-	11.7	3.1	8.5	-
Non-current receivables	58.0	-	-	58.0	57.4	-	-	57.4
Trade receivables	121.3	-	-	121.3	113.9	-	-	113.9
Derivative instruments								
Hedge accounted derivatives	1.1	1.1	-	-	0.2	0.2	-	-
Derivatives, non-qualifying	9.2	9.2	-	-	1.5	1.5	-	-
Current financial assets	26.0	26.0	-	-	26.5	26.5	-	-
Cash and cash equivalents	226.5	-	-	226.5	345.6	-	-	345.6
Liabilities								
Leasing liabilities, non-current	41.9	-	-	41.9	31.6	-	-	31.6
Financial institutions, non-current	40.0	-	-	40.0	-	-	-	-
Leasing liabilities, current	10.2	-	-	10.2	12.6	-	-	12.6
Commercial paper	14.0	-	-	14.0	77.9	-	-	77.9
Other current interest-bearing liabilities	25.2	-	-	25.2	10.2	-	-	10.2
Trade payables	130.5	-	-	130.5	105.7	-	-	105.7
Derivative instruments								
Hedge accounted derivatives	0.1	0.1	-	-	0.2	0.2	-	-
Derivatives, non-qualifying	3.2	3.2	-	-	1.7	1.7	-	-

The fair value of financial assets and liabilities substantially equals their carrying amounts.

Fazer does not presently have a legally enforceable right of set-off of financial derivative assets and liabilities, and thus these assets and liabilities have not been set off in the balance sheet. The company has entered into ISDA and corresponding local agreements regulating the offsetting of financial derivative assets and liabilities in specified cases. In the case of such offsetting by each counterparty to the derivative instruments, the amount of assets and liabilities after

offsetting would equal EUR 7.2 (0.7) million and EUR 0.2 (0.8) million, respectively. There are no open commitments due to ISDA agreements.

The Group has strategic equity investments which are not held for trading and for which classification as fair value through other comprehensive income is considered more relevant. On disposal of these investments any related balance is reclassified to retained earnings.

Fazer has a consideration receivable amounting EUR 57.1 million from Compass Group that arose in January 2020 from the sale of the Fazer Food

Services business. The buyer has the right to pay the debt yearly between 1 October and 31 January in the five years following the closing of the transaction. After this, Fazer has the right to claim the buyer to pay its debt payment yearly between 1 October and 31 January. However, the receivable will expire on 1 February 2027 at the latest. The receivable is measured at amortized cost and is discounted to present value using a discount rate of 0.7%. The counterparty credit risk of Compass Group associated with the receivable has at the balance sheet date been estimated as very low. The deal also includes the possibility of an additional purchase price, which Fazer has estimated to be EUR 0 in the financial statements.

Financial assets and liabilities measured at fair value are classified in accordance with the following fair value hierarchy:

- Level 1: Quoted prices in active markets are available for identical assets and liabilities
- Level 2: All inputs with a significant impact on the fair value of an asset or liability are observable in the market, either directly or indirectly
- Level 3: All inputs which have a significant impact on the fair value of an asset or liability are not observable in the market.

MEUR	31 December 2021			31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at FVOCI						
Hedge accounted derivatives	-	1.1	-	-	0.2	-
Non-current financial assets	-	-	8.5	-	-	8.5
Assets measured at FVPL						
Non-current financial assets	-	-	3.1	-	-	3.1
Current financial assets	-	26.0	-	-	26.5	-
Derivatives, non-qualifying	-	9.2	-	-	1.5	-
Liabilities measured at FVOCI						
Hedge accounted derivatives	-	0.1	-	-	0.2	-
Liabilities measured at FVPL						
Derivatives, non-qualifying	-	3.2	-	-	1.7	-
Other non-current liabilities	-	-	-	-	-	-

11.3 Hedging activities and derivatives

Hedging gains and losses in operating profit

MEUR	2021	2020
Cash flow hedge accounted		
Currency hedges	1.1	-0.5
Non-qualifying hedges		
Commodity hedges	0.0	0.0
Total	1.2	-0.4

Revenue		
Currency hedges	-	-0.1
Purchases		
Currency derivatives	1.1	-0.4
Commodity derivatives	0.0	0.0
Total	1.2	-0.4

Fair values of derivative instruments

MEUR	31 December 2021			31 December 2020		
	Pos.	Neg.	Net	Pos.	Neg.	Net
Cashflow hedge accounted currency derivatives	0.7	0.0	0.7	0.1	-0.1	0.0
Cashflow hedge accounted commodity derivatives	0.4	-0.1	0.3	0.1	-0.1	0.0
Non-qualifying currency derivatives	0.3	-0.4	-0.1	0.0	-0.9	-0.8
Non-qualifying commodity derivatives	8.9	-2.8	6.1	1.5	-0.8	0.7
Total	10.3	-3.3	7.0	1.7	-1.9	-0.1

Nominal values of derivative financial instruments**MEUR**

	2021	2020
Currency forward contracts	122.5	87.3
Currency options	-	8.0
Commodity futures	22.2	15.2
Commodity options	-	-

The presented amounts are undiscounted cashflows based on agreements. The effect of discounting on the cashflows is minor. The figures concerning commodity derivatives in the gross settlement table are nominal values of the agreements. The cocoa and wheat derivatives are net settled, and the amount of the net cashflow is confirmed when the agreements are closed. The electricity derivatives are gross settled and result in delivery of electricity, or net settled at conclusion of the agreements.

Derivatives maturity repayments**MEUR**

	31 December 2021			31 December 2020		MEUR
	2022	2023	2021	2022		
Gross settlement						
Currency derivatives, cashflow hedges						1 January 2021
Inflow	30.3	-	17.2	-		12.6
Outflow	29.4	-	17.1	-		-
Currency derivatives, non-qualifying						Proceeds of debt
Inflow	92.8	-	70.0	-		25.2
Outflow	92.9	-	70.8	-		-13.9
Commodity derivatives, cashflow hedges						Repayment of debt
Inflow	4.5	-	2.6	-		-74.1
Outflow	7.4	3.5	4.5	-		Business acquisitions
Commodity derivatives, non-qualifying						Transfer between non-current and current
Inflow	-	-	0.4	-		12.7
Outflow	4.5	2.3	5.3	2.3		Exchange rate differences
Net settlement						
Commodity derivatives, cashflow hedges						Other non-cash movements
Inflow	0.4	0.0	0.1	-		-0.1
Outflow	0.0	0.0	0.1	-		-1.1
Commodity derivatives, non-qualifying						31 December 2021
Inflow	7.8	1.2	1.0	0.5		10.2
Outflow	2.3	0.5	0.7	0.1		39.2

11.4 Reconciliation of financial liabilities

	Current		Non-current		Total
	Leasing debt	Interest-bearing debt	Leasing debt	Interest-bearing debt	
1 January 2021	12.6	88.1	31.6	-	132.3
Proceeds of debt	-	25.2	26.0	40.0	91.2
Repayment of debt	-13.9	-74.1	-	-	-88.0
Business acquisitions	-	-	-	-	-
Transfer between non-current and current	12.7	-	-12.7	-	-
Exchange rate differences	-0.1	-	-0.2	-	-0.2
Other non-cash movements	-1.1	-	-2.9	-	-4.0
31 December 2021	10.2	39.2	41.9	40.0	131.3
	Current		Non-current		Total
	Leasing debt	Interest-bearing debt	Leasing debt	Interest-bearing debt	
MEUR					
1 January 2020	12.7	121.7	33.1	-	167.6
Proceeds of debt	-	190.5	15.4	-	205.9
Repayment of debt	-14.1	-224.1	-	-	-238.2
Business acquisitions	0.0	-	0.4	-	0.4
Transfer between non-current and current	15.1	-	-15.1	-	-
Exchange rate differences	0.1	-	0.3	-	0.4
Other non-cash movements	-1.2	-	-2.5	-	-3.7
31 December 2020	12.6	88.1	31.6	-	132.3

11.5 Capital management

Fazer Group aims to manage its capital in a way that supports the profitable growth of business and secures liquidity and capitalization of the Group. The target is to maintain a capital structure that contributes to the creation of shareholder value. The Group's policy is to keep the equity ratio above 50%.

The Group manages its capital structure and may adjust it in changes in economic conditions and requirements of strategy implementation. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new equity. The development of the capital structure is monitored by equity ratio, by gearing ratio and by comparing interest-bearing net debt to EBITDA, which are also the key covenants in the Group's loan arrangement. The Group is not subject to externally imposed capital requirements other than the financial covenants set by the banks. The Group includes within interest-bearing net debt: interest bearing liabilities and borrowings, less cash and short-term deposits.

MEUR

	31 Dec 2021	31 Dec 2020
Interest-bearing net debt	-95.2	-213.3
Total equity	873.2	934.6
Gearing ratio	-10.9%	-22.8%
Total equity	873.2	934.6
Liabilities	405.0	388.3
Advance payments	0.2	0.7
Equity ratio	68.3%	70.7%

12. INVENTORIES

MEUR

	31 Dec 2021	31 Dec 2020
Materials and supplies	56.2	47.9
Work in progress	7.6	4.2
Finished products	35.7	31.2
Total	99.6	83.3

13. TRADE AND OTHER NON INTEREST-BEARING RECEIVABLES

MEUR

	31 Dec 2021	31 Dec 2020
Trade receivables	121.3	113.9
Other receivables	10.2	10.6
Derivative instruments	10.3	1.6
Advance payments	1.0	1.0
Accruals	6.3	7.4
Total	149.0	134.5

Trade receivables 31 Dec 2021

MEUR	Undue	Past due up to 90 days	91–180 days past due	Past due over 180 days	Total
Expected loss rate	0.0%	1.1%	150.9%	31.0%	
Gross carrying amount	117.8	3.1	0.0	0.7	121.6
Loss allowance provision	0.0	0.0	0.1	0.2	0.3
Carrying amount					121.3

Trade receivables 31 Dec 2020

MEUR	Undue	Past due up to 90 days	91–180 days past due	Past due over 180 days	Total
Expected loss rate	0.0%	3.6%	15.0%	36.9%	
Gross carrying amount	109.8	3.9	0.0	0.5	114.3
Loss allowance provision	0.0	0.1	0.0	0.2	0.4
Carrying amount					113.9

Regarding 2021 there are significant credit invoices amongst the 91–180 days past due receivables which have resulted in that the arithmetical expected credit loss rate exceeds the total receivable.

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is EUR 121.6 (114.3) million.

Reconciliation of loss allowance provision

MEUR	2021	2020
Loss allowance as at 1 January	0.4	2.9
Increase in provision recognised in profit or loss in other expenses during the period	0.1	-0.2
Receivables written off during the year as uncollectible	-0.1	-2.3
Loss allowance as at 31 December	0.3	0.4

The liabilities recognised by Fazer Group in relation to contracts with customers relate to variable contract components such as volume discounts and bonuses. These liabilities amounts to EUR 13.0 (10.7) million. No contract assets have been recognised in the financial statements of 2021 or 2020.

14. CASH AND CASH EQUIVALENTS

MEUR

	31 Dec 2021	31 Dec 2020
Cash and bank	146.1	194.9
Short-term deposits	80.4	150.7
Total	226.5	345.6

15. ISSUED CAPITAL AND EQUITY RESERVES

MEUR / numbers thousand	Number of shares			
	Preference shares	Ordinary shares	Total	Share capital
31 December 2020	4,341	2,365	6,706	134.1
31 December 2021	4,341	2,365	6,706	134.1
Number of votes	4,341	23,652	27,993	

At the end of the period, the share capital was EUR 134,125 thousand and the total number of parent company's shares was 6,706,239 of which 4,341,039, or 64.7%, were preference shares and 2,365,200 or 35.3%, were ordinary shares. All issued shares have been fully paid. The maximum number of preference shares is 14,620,320 and the maximum of ordinary shares is 9,460,800, so that the total number of the shares is 24,081,120 at maximum. Each preference share carries one vote and each ordinary share carries ten (10) votes. The total votes attached to all shares was 27,993,039. Preference shares carry a preferential right to dividends, amounting to at least 6% of the share's nominal amount, ahead of ordinary shares in connection to the yearly distribution of the dividends.

Dividends

After the closing date, the Board of Directors has proposed that EUR 13.60 (14.40) per share totalling EUR 91.2 (96.6) million be distributed as dividends.

Translation differences

Translating foreign subsidiaries' financial statements to the presentation currency of the consolidated financial statements results in translation differences. In the balance sheet translation differences are included in retained earnings.

Hedge reserve

This reserve comprises the cumulative net change in the fair value of the effective portion of cash flow hedging instruments related to hedged transactions that have not yet occurred. The amounts in the reserve are recycled through revenue, purchases, other operating expenses or inventories when the instruments are settled.

Non-current financial assets, fair value through other comprehensive income

This reserve contains valuation of those non-current investments that have been categorized as strategic investments. Profit expectations for these investments are not limited for mere changes in valuation.

Other reserves

MEUR	31 Dec 2021	31 Dec 2020
Hedge reserve	0.7	0.0
Non-current financial assets, fair value through other comprehensive income	1.2	1.2
Total	1.9	1.2

Retained earnings

MEUR	31 Dec 2021	31 Dec 2020
Translation differences	-18.5	-20.4
Retained earnings	579.6	646.1
Total	561.0	625.7

16. PROVISIONS

MEUR	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2021	0.1	1.9	0.2	2.2
Business acquisitions	-	-	-	-
Increase of provisions	3.5	0.2	0.0	3.7
Released during the period	-0.1	-0.1	-	-0.3
Reversals of unused provisions	-	0.0	-0.2	-0.2
Exchange rate differences	0.0	0.0	0.0	0.0
31 Dec 2021	3.5	1.9	0.0	5.4
Current	2.9	-	-	2.9
Non-current	0.6	1.9	-	2.5

MEUR	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2020	0.3	1.8	0.2	2.3
Provision additions	0.1	0.2	0.0	0.3
Released during the period (-)	-0.2	-0.2	-	-0.4
Reversals of unused provisions	-0.1	-	-	-0.1
Exchange rate differences	0.0	0.1	-0.0	0.0
31 Dec 2020	0.1	1.9	0.2	2.2
Current	0.1	0.1	0.2	0.5
Non-current	-	1.7	-	1.7

Provisions
 Restructuring provisions relate to plans which are approved and carried out by the management. The main part of the provision consists of employee termination benefits as well as costs in relation to capacity adjustments and restructuring. Leasing restoration provisions are made based on leasing contracts, in which there is a obligation to restore the rented premises to their condition prior to the commencement of the lease.

17. LEASES

The Group's leasing contracts consists mainly of leases of various properties, equipments and cars. Leasing contracts are typically made for an indefinite period or fixed period of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In May 2020, the IASB made an amendment to IFRS 16 Leases. It provides the lessees with an option to treat lease concessions arising due to the COVID-19 pandemic in the same way as they would if they were not lease modifications. Fazer has applied this option for premises where concessions fulfil the criteria. Variable lease payments in 2021 include rent concessions amounting to EUR 0.2 (0.5).

The amount of right to use assets and depreciations in relation to them can be found in note 8. The amount of leasing debt and its maturity split can be found in note 11.1 under liquidity and refinancing risk. Information regarding leasing liabilities not included in the balance sheet can be found in note 20.

Depreciations in relation to the right to use asset arising from leasing contracts amounted to EUR 13.4 (13.8) million and they are included in depreciation, amortization and impairment in the consolidated profit or loss statement. A more detailed specification of them can be found in note 8. Other impacts that leasing contracts have on the continuing operations profit or loss statement can be found in the schedule below.

MEUR	2021	2020
Items in financial expenses		
Interest expenses	0.9	0.6
Items in other operating expense		
Expense relating to short-term leases	0.2	0.3
Expense relating to low-value assets	1.2	1.5
Expense relating to until further notice contracts	1.1	1.0
Expense relating to variable lease payments	27.1	21.6
Total, included in other operating expenses	29.6	24.4

Leases not yet commenced, which the Group is committed to, amounted to EUR 2.5 (18.1) million as at 31 December 2021.

If revenue in relation to the variable lease payments would increase by 1% it would increase variable leasing expenses with EUR 0.3 million.

18. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Fazer has defined benefit pension plans in Sweden, Finland and Russia. The main defined benefit plans at 31 December 2021 in the Group were in Sweden and Finland.

The Swedish defined benefit plan is a ITP 2-plan, which is an unfunded defined benefit plan. The ITP plan benefit formula provides pension benefits as a percentage of salary. Benefits will be reduced proportionally if the expected years of service, within the plan and irrespective of employer, is less than 30 years. Current ITP 2-plans in Sweden are secured through a pension insurance with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this constitutes a multi-employer defined benefit plan. For the fiscal year 2021, the group did not have access to such information that would enable the group to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined benefit plan according to IAS19. Consequently, the ITP 2-plan secured through an insurance with Alecta is recorded as a defined contribution plan. In addition to this Fazer has an old ITP 2-plan, which is safeguarded with a credit insurance with PRI Pensionsgaranti. There are no actives in this plan.

In Finland the plan is a defined benefit final salary plan. The plan is closed for new entrants. The benefits payable to beneficiaries are based on the employee's service and annual salaries. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the company.

Total costs recognized in the income statement

MEUR	2021	2020
Current service cost	0.1	0.1
Settlements	-	-
Net interest (+expense / -income)	0.1	0.1
Total	0.1	0.2

Employee benefit assets and liabilities recognised in the balance sheet

MEUR	31 Dec 2021	31 Dec 2020
Present value of funded obligations	1.8	1.9
Fair value of plan assets	-1.8	-1.8
Underfunded (+) / overfunded (-)	0.0	0.1
Present value of unfunded obligations	4.0	4.0
Net defined benefit liability (+) / asset (-)	3.9	4.1
Total defined benefit liability in the balance sheet	3.9	4.1
Total defined benefit liability in the balance sheet	3.9	4.1

Present value of obligations and fair value of plan assets**MEUR**

	2021			2020		
	Present value of obligation	Fair value of plan assets	Net benefit liability/(asset)	Present value of obligation	Fair value of plan assets	Net benefit liability/(asset)
Carrying value, at 1 January	5.9	-1.8	4.1	6.1	-1.9	4.2
Current service cost	0.1	-	0.1	0.1	-	0.1
Interest expence (+) income (-)	0.1	0.0	0.1	0.1	0.0	0.1
Total recognized in the income statement	0.1	0.0	0.1	0.2	0.0	0.2
Actuarial gain and loss on obligations arising from changes in financial assumptions	0.0	0.0	0.0	0.0	0.0	0.0
Actuarial gain and loss on obligations arising from experience adjustments	0.2	-0.1	0.1	0.1	0.0	0.1
Return on plan assets in excess of the amount included in interest expense (+) and interest income (-)	-	-	0.0	-	-	-
Total remeasurement gains (-) and losses (+) included in OCI	0.1	-0.1	0.0	0.1	-0.1	0.0
Contributions by employers and paid benefits	-0.3	-0.1	-0.4	-0.3	-0.1	-0.4
Settlements						
Paid benefits	-	0.1	0.1	-	0.1	0.1
Settlements	-0.1	0.1	0.0	-0.1	0.1	0.0
Exchange rate difference	-0.1	0.0	0.0	0.0	0.0	0.0
Carrying value, at 31 December	5.8	-1.8	3.9	5.9	-1.8	4.1

The expected contributions to be paid to the defined benefit plans in 2022 are EUR 286 thousand.

Defined benefit plans typically expose the Group to the following actuarial risks:

Actuarial Changes in bond yields

A change in corporate or government bond yields may trigger a change in the discount rate applied by the group. This affects both the net-defined benefit liability. The yield curve maturities correspond to the duration of the obligation.

Life-expectancy

Defined benefit plans are to provide benefits mostly for active members. Thus increases in life-expectancy will not have an effect on the defined benefit obligation.

Final salary

Plan benefits are depending on members salary in the final years leading up to retirement. As a result of this the higher development of average salary can lead to higher defined benefit obligation (DBO).

Defined benefit plans assumptions (weighted average) used in calculating benefit obligations

	2021	2020
Discount rate	1.78%	1.05%
Future pension increase	1.77%	1.22%
Salary increase	1.81%	1.84%
Inflation	2.15%	1.42%
Duration	12.5 y.	12.9 y.

Analysis of plan assets

Plan assets include qualifying insurance policies that match the amount and timing of benefits payable under the plan. The division of plan assets between different asset categories is not possible to provide.

Sensitivity analysis of defined benefit plan

Sensitivity analysis is based on the data that was used when calculating the reported DBO according to IAS 19. The analysis is made by changing the assumption under examination while holding all other assumptions original.

Defined benefit plans assumptions (weighted average) used in calculating benefit obligations

Assumption	Change in assumption	Change in DBO MEUR
Discount rate	+ 0.50%	-0.4
	- 0.50%	0.4
Inflation	+ 0.50%	0.4
	- 0.50%	-0.3
Mortality	+1 year	0.2
	-1 year	-0.2

19. TRADE PAYABLES AND OTHER NON INTEREST-BEARING LIABILITIES

MEUR	31 Dec 2021	31 Dec 2020
Trade payables	130.5	105.7
Other current liabilities	16.6	18.7
Derivatives	3.3	1.8
Advance payments	0.2	0.7
Accrued expenses and prepaid income	87.1	99.7
Total	237.6	226.5

20. COMMITMENTS AND CONTINGENCIES

MEUR	31 Dec 2021	31 Dec 2020
Raw material purchases	56.1	46.0
Leasing	2.7	2.9
Other	-	-
Total	58.9	48.9

The company has made real estate investments under the Value Added Tax Act, whose revisions and annual auditable amounts are EUR 18.1 (14.2) million from years 2013–2021.

Disputes and litigations

The Group's management does not have knowledge of any open disputes or litigations, which would have a significant impact on the Group's financial position.

21. RELATED PARTY TRANSACTIONS

The Group's related parties include the Board of Directors, the President & CEO and Fazer Leadership Team, their closely related family members as well as companies or joint ventures controlled by them. It also include subsidiaries as well as associated companies and joint ventures.

Fazer has no loan receivables from members of the Board of Directors, President & CEO or members of Fazer Leadership Team, nor from their closely related family members, companies or joint ventures controlled by them and no pledges or other commitments have been given on behalf of them at the end of 2021 and 2020. During 2021 members of the Board of Directors has acquired assets from Fazer for EUR 1.3 million and no other transactions has taken place during 2021 or 2020. There have been no transactions with members of Fazer Leadership Team during 2021 and 2020.

Renumeration of the members of the Board of Directors

The Annual General Meeting decides on the remuneration of the Board members based on the recommendation of the Shareholders' Nomination Board. The remuneration of the Board of Directors consists of an annual fee and meeting fee. The meeting fee is paid for every meeting attended.

EUR thousand	2021	2020
Board renumeration	583	550

Renumeration of the President & CEO and members of the Fazer Leadership Team

The Board of Directors decides on the compensation and benefits of the President & CEO. The Chairman of the Board of Director's approves the salary and other benefits of the Fazer Leadership Team. The remuneration of the President & CEO and members of the Fazer Leadership Team consists of a fixed monthly salary, fringe benefits, an annual bonus, other benefits and a long-term incentive plan. The annual bonus is determined on the basis of Fazer's financial performance and the development of occupational safety.

EUR thousand	2021	2020
Paid salary	2,255	2,174
Short-term benefits	1,110	2,956
Long-term benefits	1,089	693
Total salary	4,454	5,823
Fringe benefits	66	89
Total	4,520	5,912

The President & CEO and members of the Fazer Leadership Team, have the right, if the company terminates the contract, depending on the person, to equivalent compensation of 6-12 months salary. Some of the members of the Fazer Leadership Team have a collective pension arrangement, which gives them the right to retire at the age of 62.

22. DISCONTINUED OPERATIONS

Fazer announced 11 June 2019 the sale of Fazer Food Service to Compass Group Plc. The divestment was completed on 31 January 2020 after the competition approval from the European Commission was received.

The financial performance for discontinued operations 2021 and 2020 are presented below. There were no assets and related liabilities classified as held for sale in 2021 or 2020.

MEUR	2021	2020
Revenue	-	50.8
Gain on sale of Fazer Food Services	-	414.3
Expenses	-	-47.9
Financial income	0.4	0.4
Result before taxes	0.4	417.1
Income taxes	-	-9.7
Result from discontinued operations	0.4	407.4
Net cash flow from operating activities	-	18.0
Net cash flow from investing activities	-	386.8
Net cash flow from financing activities	-	28.1

23. BUSINESS ACQUISITIONS AND DISPOSALS

In 2021 there have been no business acquisitions or disposals.

On 17 January 2020, Fazer announced the acquisition of the bakery and mill operations from Vuohelan Herkku Oy as a part of Fazer Bakery business area. The acquisition was completed on 24 January 2020. Vuohelan Herkku is one of the forerunner of gluten-free baking in Finland.

Vuohelan Herkku's impact on Group revenue was EUR 5.3 million and on operating profit EUR 0.2 million. If the acquisition had taken place on 1 January 2020, management estimates that the impact on Group

revenue would have been approximately EUR 5.6 million and on operating profit EUR 0.2 million. The preliminary fair value of intangible assets acquired is EUR 0.1 million. A negative goodwill amounting to EUR 1.3 million arose from the acquisition and it has had a positive impact on the period's result. The Group profit for 2020 includes acquisition-related costs of EUR 0.2 million.

Below is a summary of the fair values of assets acquired and liabilities assumed at the date of the acquisition as well as the cash flow impact of the acquisition.

MEUR	Vuohelan Herkku
Assets	
Intangible assets	0.1
Property, plant and equipment	9.1
Deferred tax receivables	-
Inventories	0.2
Trade and other receivables	0.0
Cash and cash equivalents	0.0
Total assets	9.4
Liabilities	
Interest-bearing liabilities	1.5
Provisions	-
Trade and other short-term payables	0.6
Deferred tax liabilities	-
Total liabilities	2.1
Net assets	7.3
Consideration paid	6.1
Negative goodwill	-1.3
Cash flow impact of acquisition	
Acquisition cost	6.1
Cash and cash equivalents acquired	-0.0
Decrease (+) / increase (-) in contingent consideration liability	-
Cash flow impact	6.1

In 2020 Fazer completed its divestment of Food Services business to Compass Group Plc. The divestment was completed on 31 January 2020 after the competition approval from the European Commission was received. The operations have been classified as discontinued operation in the 2020 financial statement. Below is a summary of the sold business assets and liabilities, gain of the divestment as well as the cash flow impact.

MEUR	Food Services business	MEUR	Food Services business
Assets		Reconciliation of gain on sale of Fazer Food Services	
Goodwill	29.4	Consideration to be paid in cash	501.6
Intangible assets	1.4	Net assets sold	-86.9
Property, plant and equipment	50.7	Contingent consideration	-
Investments in associated companies	1.3	Transaction fees	-8.6
Deferred tax receivables	0.9	Translation differences and other exchange rate differences	10.1
Inventories	10.8	Other items relating to the transaction	-2.0
Trade and other receivables	66.2	Net result from sale of operations	414.3
Cash and cash equivalents	48.8		
Total assets	209.5	Reconciliation of cash flow impact of sale of Fazer Food Services	
Liabilities		Consideration to be paid in cash	501.6
Long-term interest-bearing liabilities	24.8	Transaction fees paid	-8.6
Short-term interest-bearing liabilities	1.5	Cash and cash equivalents of divested operations	-48.8
Provisions	0.0	Receivable in relation to the divestment	-57.1
Trade and other payables	92.2	Cash flow impact	387.2
Deferred tax liabilities	4.1		
Total liabilities	122.6		
Net assets	86.9		

24. SUBSIDIARIES

	Country	Group ownership (%)		Changes in Group legal structure during 2021
		2021	2020	
Owned by the parent				
Fazer Bakeries B.V.	The Netherlands	70	70	
Fazer Finland Oy	Finland	100	100	
Fazer Leipomot Oy	Finland	100	100	
Fazer Makeiset Oy	Finland	100	100	
Fazer Ravintolat Oy	Finland	100	100	
Oy NIS-Nordic Industrial Sales Ab	Finland	100	51	
Kaslink Oy	Finland	-	100	
Owned by other group companies				
Fazer Sweden AB	Sweden	100	100	
Fazer Konfektyr AB	Sweden	-	100	
Crestjoy Oy	Finland	70	70	
Fazer Bageri AB	Sweden	100	100	
Fazer Eesti OÜ	Estonia	100	100	
Fazer Norway AS	Norway	100	100	
Fazer Denmark ApS	Denmark	100	100	
Fruits Company K.K. (prev. Froosh K.K.)	Japan	-	100	
Kiinteistö Oy Helsingin Kanneltori	Finland	100	100	
OOO Avangard	Russia	70	70	
OOO Fazer	Russia	70	70	
OOO Fazer Bakeries Invest	Russia	70	70	
SIA Fazer Latvija	Latvia	100	100	
Startplace Oy	Finland	70	70	
UAB Fazer Lietuva	Lithuania	100	100	
Fazer USA Inc.	The USA	100	100	
Kaslink Foods Oy	Finland	-	100	
Kaslink Aito Oy	Finland	-	100	

25. NON-CONTROLLING INTERESTS

MEUR

Non-controlling interests share of voting right	
Current assets	
Non-current assets	
Current liabilities	
Non-current liabilities	
Revenue	
Costs and other income	
Result for the period	
Result attributable to non-controlling interests	
Total other comprehensive income for the period	
Total other comprehensive income attributable to non-controlling interests	
Non-controlling interests share of equity	
Dividends paid to non-controlling interests	

Fazer Bakeries B.V. Group The Netherlands

	2021	2020
Non-controlling interests share of voting right	30%	30%
Current assets	204.3	196.5
Non-current assets	55.3	46.4
Current liabilities	27.6	22.8
Non-current liabilities	5.8	4.5
Revenue	155.7	145.6
Costs and other income	-149.2	-142.5
Result for the period	6.5	3.1
Result attributable to non-controlling interests	1.9	0.9
Total other comprehensive income for the period	10.6	-14.3
Total other comprehensive income attributable to non-controlling interests	3.2	-4.3
Non-controlling interests share of equity	67.9	64.7
Dividends paid to non-controlling interests	-	-

Fazer acquired the outstanding 20% share of non-controlling interest in Fazer Food AB in June 2020. The cost of the shares was EUR 115.9 million and a decrease in non-controlling interest of EUR 116.1 million was recorded. The shares were paid in kind by issuing 382,276 new preference shares to the holders of the non-controlling interest. The consideration was EUR 0.2 million lower than the non-controlling interest included in equity. As a result, equity attributable to the owners of the parent company increased EUR 0.2 million.

Fazer acquired the outstanding 49% share of non-controlling interest in Oy NIS-Nordic Industrial Sales in December 2021. The cost of the shares was EUR 0.3 million.

MEUR

Non-controlling interests share of voting right	
Current assets	
Non-current assets	
Current liabilities	
Non-current liabilities	
Revenue	
Costs and other income	
Result for the period	
Result attributable to non-controlling interests	
Total other comprehensive income for the period	
Total other comprehensive income attributable to non-controlling interests	
Non-controlling interests share of equity	
Dividends paid to non-controlling interests	

Oy NIS-Nordic Industrial Sales Ab Finland

	2021	2020
Non-controlling interests share of voting right	-	49%
Current assets	-	1.9
Non-current assets	-	0.0
Current liabilities	-	0.8
Non-current liabilities	-	0.0
Revenue	-	6.9
Costs and other income	-	-6.5
Result for the period	-	0.4
Result attributable to non-controlling interests	-	0.2
Total other comprehensive income for the period	-	0.4
Total other comprehensive income attributable to non-controlling interests	-	0.2
Non-controlling interests share of equity	-	0.5
Dividends paid to non-controlling interests	-	0.1

In January 2022, Fazer announced its plan to invest in a new confectionery factory in Finland. If realised, the new factory would replace the existing confectionery factories in Vantaa and Lappeenranta. The change would come into force in 2025 at the earliest. The decision on the potential construction and location of the new factory will be made during 2022.

In December 2021 Fazer announced that it has agreed to acquire Trengsums Food AB. The Swedish Competition Authority approved the acquisition and the closing of the deal took place on 28 February 2022.

The geopolitical situation in Europe changed dramatically in the end of February. On 2 March 2022 Fazer announced the suspension of all exports of its products from Finland to Russia. Fazer's exports to Russia have comprised of confectionery and milling products. On 6 March 2022 Fazer announced its decision to exit all its operations in Russia. Local Bakery operations in Moscow and St Petersburg have employed approximately 2,300 persons. In 2021, net sales from Russia totalled approximately EUR 157 million, accounting for 13% of total Group net sales. Fazer will continue to further assess the impact on year 2022 financial statements.

Fazer acquired the outstanding 20% share of non-controlling interest in Fazer Food AB in June 2020. The cost of the shares was EUR 115.9 million and a decrease in non-controlling interest of EUR 116.1 million was recorded. The shares were paid in kind by issuing 382,276 new preference shares to the holders of the non-controlling interest. The consideration was EUR 0.2 million lower than the non-controlling interest included in equity. As a result, equity attributable to the owners of the parent company increased EUR 0.2 million.

Fazer acquired the outstanding 49% share of non-controlling interest in Oy NIS-Nordic Industrial Sales in December 2021. The cost of the shares was EUR 0.3 million.

26. EVENTS AFTER THE REPORTING PERIOD

PARENT COMPANY INCOME STATEMENT

EUR	Notes	2021	2020
Net sales	2.1	77,216,826.51	76,217,375.69
Other operating income	2.2	23,093,837.52	425,815,489.67
Materials and services		38,264.21	-32,020.59
Personnel costs	2.3	-13,546,002.01	-14,664,030.65
Depreciation and impairments	2.4	-10,234,865.22	-10,423,959.07
Other operating costs	2.5	-77,095,629.00	-80,021,869.12
Operating profit/loss		-527,567.99	396,890,985.93
Financial income and expenses	2.6	7,571,924.53	-18,890,890.20
Profit/loss before income tax and appropriations		7,044,356.54	378,000,095.73
Appropriations	2.7	31,678,403.75	42,334,328.94
Income taxes	2.8	-7,891,929.40	-13,542,934.29
Profit for the year		30,830,830.89	406,791,490.38

PARENT COMPANY BALANCE SHEET

EUR	Notes	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	3.2	35,794,408.25	41,067,644.73
Tangible assets	3.1	29,420,603.59	30,073,317.67
Investments	3.3	888,469,326.02	888,128,966.02
Total non-current assets		953,684,337.86	959,269,928.42
Current assets			
Long-term receivables	3.4	243,019,110.71	161,071,005.35
Short-term receivables	3.5	165,368,996.59	149,062,468.40
Financial assets	3.6	25,968,565.51	26,467,111.35
Cash and cash equivalents		220,746,628.13	330,203,518.93
Total current assets		655,103,300.94	666,804,104.03
TOTAL ASSETS		1,608,787,638.80	1,626,074,032.45
EQUITY AND LIABILITIES			
Equity	3.7		
Share capital		134,124,780.00	134,124,780.00
Reserve for invested unrestricted equity		108,249,094.92	108,249,094.92
Retained earnings		876,627,326.08	566,405,677.30
Profit for the financial year		30,830,830.89	406,791,490.38
Total equity		1,149,832,031.89	1,215,571,042.60
Appropriations	3.8	1,632,363.98	1,810,767.73
Liabilities			
Long-term liabilities	3.9	41,734,252.78	1,734,252.78
Short-term liabilities	3.10	415,588,990.15	406,957,969.34
Total liabilities		457,323,242.93	408,692,222.12
TOTAL EQUITY AND LIABILITIES		1,608,787,638.80	1,626,074,032.45

STATEMENT OF CASH FLOWS FOR THE PARENT COMPANY

MEUR	2021	2020	MEUR	2021	2020
Cash flows from operating activities			Net increase (+) decrease (-) in cash and cash equivalents	-109.5	303.2
Result before appropriations and taxes	7.0	378.0	Cash and cash equivalents at beginning of period	330.2	27.0
Adjustments ⁽¹⁾	0.8	-371.1	Cash and cash equivalents at end of period	220.7	330.2
Change in working capital ⁽²⁾	-21.8	25.8			
Interests received	7.4	3.0	1) Adjustments		
Interests paid	-4.0	-3.8	Depreciations and impairments	10.2	10.4
Other financial income and expenses, net	1.5	1.7	Financial income and expenses	-7.5	18.9
Dividends received	0.2	0.2	Items included in investing activites	-1.9	-79.2
Income taxes paid	-12.4	-12.4	Non-cash income and expenses	0.0	-321.3
Net cash from operating activities	-21.1	21.4	Total adjustments	0.8	-371.1
Cash flows from investing activities:					
Purchase of tangible and intangible assets	-4.8	-5.3	2) Change in working capital		
Proceeds from sale of tangible and intangible assets	2.3	49.6	Decrease (+) / (-) increase in short term receivables	-4.8	5.1
Investments in shares of subsidiaries	-0.3	-	Decrease (-) / (+) increase in short term payables	-17.0	20.7
Proceeds from sale of shares of subsidiaries	-	34.0	Change in working capital	-21.8	25.8
Investment in other non-current assets	-	-5.3			
Investment in current financial assets	-126.6	-326.5			
Proceeds from sale of current financial assets	127.1	297.2			
Net cash from investing activities	-2.3	43.7			
Cash flows from financing activities:					
Increase in loan receivables	-389.3	-172.4			
Decrease in loan receivables	300.5	125.4			
Proceeds from debt	262.7	735.7			
Repayment of debt	-190.7	-203.9			
Net change of balance in group cash pool	48.7	-180.4			
Net change of commercial papers	-63.9	-66.5			
Group contributions paid and received, net	42.4	57.7			
Dividends paid	-96.6	-57.5			
Net cash from financing activities	-86.1	238.1			

1. PRINCIPLES FOR PREPARING FINANCIAL STATEMENTS IN PARENT COMPANY

The financial statements have been prepared according to Finnish Accounting Standards (FAS).

VALUATION PRINCIPLES

Non-current assets

In the balance sheet, tangible and intangible assets have been booked at their acquisition cost deducted with planned depreciations. Depreciations according to plan have been calculated as straight-line depreciations based on the economic lifetimes of tangible and intangible assets:

The lifetimes are:

• Other long-term expenses	3–10 years
• Brands	10 years
• Buildings and structures	10–50 years
• Machinery and equipment	3–25 years

Depreciation is started from the month that use of an asset begins.

Financial instruments

Derivative instruments are measured at fair value. Currency forwards are valued at fair value for contracts with corresponding time to maturity. The values are calculated as the difference between the spot and forward rates on the closing day. Any change in interest cost or income is included in the valuation. Changes in fair values are presented in interest income or expenses as well as in exchange rate gains or losses.

Exchange rate items are presented net as either income or loss.

Derivatives are used to hedge foreign currency denominated balance sheet items, operative flows and to manage liquidity. Changes in the fair value of derivatives are recognised in the financial items in the income statement.

Fazer Group hedges against wheat, cocoa and electricity price risks using options and futures. Raw material derivatives are valued at market prices. Generally accepted valuation models are applied to perform valuation. In the parent company gains and losses related to rawmaterial derivatives are recognised under financial items in the income statement. External raw material hedges are executed by Oy Karl Fazer Ab. Intragroup hedges are made between Oy Karl Fazer Ab and its subsidiaries.

Financial assets are measured at acquisition cost or a lower fair value at period end closing. Changes in the measurement are presented as other income or expense in financial income and expenses.

Research and development expenditures

Research and development expenditures are recognized as yearly expenses in the year they incur. Expenditure on development projects that are expected to bring substantial financial benefits to whole business area in the future can be capitalized after consideration and depreciated in 3–5 years.

Pensions

Pension costs are expensed in the year they incur.

CASH FLOW STATEMENT

Group internal cash pool receivables and liabilities as well as other group internal financing transactions (loan receivables and payables) are shown in cash flow from financing activities.

2. NOTES TO THE INCOME STATEMENT

2.1 Net sales

Net sales by geographical area

MEUR

	2021	2020
Finland	60.7	58.0
Other Nordic Countries	14.4	16.2
Russia	1.1	1.1
The Baltics	1.0	0.8
Other	0.1	0.1
Total	77.2	76.2

2.2 Other operating income

MEUR

	2021	2020
Rental income	1.7	1.7
Sale of services	19.2	23.4
Sale of fixed assets*	1.9	400.4
Other	0.3	0.3
Total	23.1	425.8

* 2021 amount includes gain on sale of leisure properties, of which one is sold to a related party. 2020 amount includes gain on sale of leisure properties and merger gain from Fazer Food AB.

2.3 Personnel expenses and number of employees on average

MEUR

	2021	2020
Salaries and wages	11.0	12.1
Pension expenses	1.8	1.8
Other social security costs	0.8	0.8

Total

	2021	2020
Total	13.5	14.7

Renumeration of the Board of Directors, President & CEO and Fazer Leadership Team

EUR thousand

	2021	2020
Members of the Board of Directors	0.6	0.6
President & CEO and members of Fazer Leadership Team	4.2	3.2

Total

	2021	2020
Total	4.8	3.8

Further information regarding the renumeration of the the Board of Directors, President & CEO and Fazer Leadership Team as well as related party transactions can be found in the note 21 of the consolidated financial statements.

The number of employees on average for the period was 54 (59).

2.4 Depreciations and amortisations

MEUR

	2021	2020
Immaterial rights	6.7	6.4
Other capitalised expenditure	2.5	2.9
Buildings and structures	0.6	0.6
Machinery and equipment	0.3	0.4
Other tangible assets	0.1	0.1
Total	10.2	10.4

2.5 Other operating expenses

MEUR	2021	2020
Rents and other real estate expenses	0.8	0.7
Marketing and communication expenses	-0.5	1.1
IT- and telecommunication expenses	15.9	18.5
<u>Administrative and other expenses</u>	<u>60.9</u>	<u>59.8</u>
Total	77.1	80.0
Fees to the auditor		
MEUR	2021	2020
PricewaterhouseCoopers Oy		
Audit fees	0.1	0.1
Audit related services	-	-
Tax services	-	-
Other services	0.2	0.2
Total	0.4	0.4

2.6 Financial income and expenses

MEUR	2021	2020
Dividends from Group companies	0.2	0.2
Dividends from others	-	-
Interest income from Group companies	5.0	2.3
Interest income from others	1.5	2.4
Exchange rate gains and losses, net	5.9	-
<u>Other financing income</u>	<u>-</u>	<u>1.9</u>
Financial income total	12.6	6.7
Interest expenses to Group companies	-3.5	-8.3
Interest expenses to others	-1.1	-4.4
Exchange rate gains and losses, net	-	-10.5
<u>Other financing expenses</u>	<u>-0.4</u>	<u>-2.4</u>
Financial expenses total	-5.1	-25.6
Financial income and expenses, net	7.6	-18.9

2.7 Appropriations

MEUR	2021	2020
Depreciation difference (- increase / + decrease)	0.2	-0.1
Group contributions, received	69.0	62.5
<u>Group contributions, given</u>	<u>-37.5</u>	<u>-20.1</u>
Total	31.7	42.3

2.8 Income taxes

MEUR	2021	2020
Tax on income from operations	-7.9	-13.5
Tax for previous accounting periods	0.0	-
Total	-7.9	-13.5

3. NOTES TO THE BALANCE SHEET

3.1 Tangible assets

MEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost at 1 Jan 2020	3.1	17.6	6.6	2.1	0.2	29.6
Additions	-	-	0.0	0.0	2.2	2.2
Disposals	-0.2	-0.4	0.0	0.0	-	-0.6
Reclassifications	-	-	-	0.1	-0.1	-
Cost at 31 Dec 2020	2.9	17.3	6.5	2.2	2.3	31.2
Additions	-	0.7	-	-	1.4	2.1
Disposals	-0.2	-0.1	-0.1	-	-0.3	-0.7
Reclassifications	-	0.4	-	-	-1.6	-1.2
Cost at 31 Dec 2021	2.7	18.3	6.4	2.2	1.8	31.4
Revaluations 31 Dec 2020	8.7					8.7
Revaluations 31 Dec 2021	8.7					8.7
Accumulated depreciation and impairment losses						
at 1 Jan 2020	-	-3.0	-5.2	-0.9	-	-9.1
Depreciations for the period	-	-0.6	-0.4	-0.1	-	-1.1
Depreciations on disposals	-	0.4	0.0	0.0	-	0.4
Reclassifications	-	-	-	-	-	-
Accumulated depreciation and impairment losses						
at 31 Dec 2020	-	-3.2	-5.6	-1.1	-	-9.8
Depreciations for the period	-	-0.6	-0.3	-0.1	-	-1.1
Depreciations on disposals	-	0.1	0.1	-	-	0.2
Reclassifications	-	-	-	-	-	-
Accumulated depreciation and impairment losses						
at 31 Dec 2021	-	-3.7	-5.8	-1.2	-	-10.7
Carrying amount						
31 Dec 2021	11.4	14.6	0.6	1.0	1.8	29.4
31 Dec 2020	11.6	14.1	1.0	1.2	2.3	30.1

3.2 Intangible assets

MEUR	Immaterial rights	Other capitalised expenditures	Total
Cost at 1 Jan 2020	66.7	41.2	107.9
Additions	2.6	0.5	3.1
Disposals	-	-	-
Reclassifications	-	-	-
Cost at 31 Dec 2020	69.3	41.7	111.0
Additions	-	2.7	2.7
Disposals	-	-0.1	-0.1
Reclassifications	-	1.2	1.2
Cost at 31 Dec 2021	69.3	45.5	114.8
Accumulated depreciation and impairment losses at 1 Jan 2020	-24.8	-35.8	-60.6
Depreciations for the period	-6.4	-2.9	-9.3
Depreciations on disposals	-	-	-
Reclassifications	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2020	-31.2	-38.7	-69.9
Depreciations for the period	-6.7	-2.5	-9.2
Depreciations on disposals	-	0.1	0.1
Reclassifications	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2021	-37.9	-41.1	-79.0
Carrying amount			
31 Dec 2021	31.4	4.4	35.8
31 Dec 2020	38.1	3.0	41.1

3.3 Investments

MEUR	Shares in subsidiaries	Other shares and holdings	Total
Cost at 1 Jan 2020	1,037.4	3.3	1,040.7
Additions	115.9	7.3	123.2
Disposals	-275.8	-	-275.8
Cost at 31 Dec 2020	877.5	10.6	888.1
Additions	0.3	-	0.3
Disposals	-	-	-
Cost at 31 Dec 2021	877.9	10.6	888.5

Information of Oy Karl Fazer Ab's ownership in other group companies as at 31 December 2021 can be found in note 24 to the consolidated financial statements.

3.4 Long term receivables

MEUR	31 Dec 2021	31 Dec 2020
Loan receivables from Group companies	186.0	104.0
Other receivables	57.1	57.1
Long term receivables total	243.0	161.1

3.5 Short-term receivables

MEUR	31 Dec 2021	31 Dec 2020
Trade receivables	0.0	0.2
Receivables from Group companies	146.2	139.3
Other loan receivables	-	-
Other receivables	1.3	5.5
Accruals	17.8	4.1
Total	165.4	149.1
 Receivables from Group companies		
Trade receivables	12.5	4.1
Loan receivables	61.8	56.4
Group contribution	69.0	62.5
Other receivables	0.2	13.0
Accruals	2.6	3.3
Total	146.2	139.3
 Material items in accruals		
Accrued income taxes	4.6	0.1
Derivatives	9.6	1.6
Other	3.6	2.3
Total	17.8	4.1

3.6 Financial assets

MEUR	31 Dec 2021	31 Dec 2020
Carrying amount	26.0	26.5
Fair value	26.0	26.5
Difference	0.0	0.0

The company invests excess liquidity in interest funds and other highly liquid short term debt instruments in order to secure return on them. Fazer Group's treasury policy defines what investments can be made, but the investments needs to meet certain credit quality and duration. More information from the notes 11.1–11.3 in the consolidated financial statements.

3.7 Equity

MEUR	31 Dec 2021	31 Dec 2020
Restricted equity		
Share capital 1.1	134.1	126.5
Share issue	-	7.6
Share capital 31.12	134.1	134.1
 Restricted equity total	134.1	134.1
 Non-restricted equity		
Reserve for invested unrestricted equity 1.1	108.2	-
Share issue	-	108.2
Reserve for invested unrestricted equity 31.12	108.2	108.2
 Non-restricted equity		
Retained earnings 1.1	973.2	624.0
Payment of dividends	-96.6	-57.5
Retained earnings 31.12	876.6	566.4
Profit for the period	30.8	406.8
 Non-restricted equity total	1,015.7	1,081.4
 Total equity	1,149.8	1,215.6
 Share capital by classes of shares		
Number of shares		
Preference shares	4,341,039	4,341,039
Ordinary shares	2,365,200	2,365,200
Total	6,706,239	6,706,239

Preference shares carry a preferential right to dividends, amounting to at least 6% of the share's nominal amount, ahead of ordinary shares in connection to the yearly distribution of the dividends. In the annual general meeting each preference share carries one vote and each ordinary share carries ten votes.

3.8 Appropriations

MEUR	31 Dec 2021	31 Dec 2020
Accumulated depreciation difference	1.6	1.8
– Of which unrecognised deferred tax liability	0.3	0.4

3.9 Long-term liabilities

MEUR	31 Dec 2021	31 Dec 2020
Deferred tax liability	1.7	1.7
Loans from Group companies	-	-
Loans from financial institutions	40.0	-
Long-term liabilities total	41.7	1.7

Deferred tax liabilities arises from the following

MEUR	31 Dec 2021	31 Dec 2020
Revaluations	1.7	1.7
Total	1.7	1.7

3.10 Short-term liabilities

MEUR	31 Dec 2021	31 Dec 2020
Other interest bearing liabilities	25.2	10.2
Trade payables	4.9	4.6
Commercial papers	14.0	77.9
Liabilities to group companies	356.7	289.9
Advances received	-	0.4
Other liabilities	1.1	3.0
Accruals	13.7	20.9
Total	415.6	407.0
Liabilities to Group companies		
Other interest bearing liabilities	310.5	256.4
Trade payables	5.1	12.2
Group contributions	37.5	20.1
Accrued liabilities	3.6	1.2
Total	356.7	289.9
Material items in accruals		
Accrued tax liability	1.1	1.1
Wages, salaries and social expenses	5.6	6.6
Interests	0.3	0.1
Derivatives	4.2	1.8
Other	2.5	11.4
Total	13.7	20.9

4. OTHER NOTES

4.1 Guarantees

Guarantees given on behalf of other Group companies

MEUR	31 Dec 2021	31 Dec 2020
Guarantees	7.6	7.2

4.2 Leasing and rental liabilities

MEUR	31 Dec 2021	31 Dec 2020
Due for payment the following financial period	1.3	1.1
Due for payment later	1.5	1.1
Total	2.8	2.3

4.3 Other contingent liabilities

MEUR	31 Dec 2021	31 Dec 2020
Others	-	-

The company has made investments in real estate for which, in accordance with local Value Added Tax Act, there is an responsibility to repay VAT. Below are the yearly liabilities based on the qualifying investments for the last 10 years.

MEUR	31 Dec 2021	31 Dec 2020
2013	0.0	0.0
2014	0.0	0.0
2015	0.0	0.0
2016	2.1	2.5
2017	0.0	0.1
2018	0.0	0.0
2019	-	-
2020	-	-
Total	0.2	-
	2.4	2.6

4.4 Derivatives

All derivative instruments in Fazer Group were made by the parent company and all contracts were made with external counterparties. More information regarding derivatives and financial risk management is disclosed in notes 11.1–11.3 to the consolidated financial statements as well as in the accounting policies.

All derivative instruments are categorised in Level 2 of the fair value hierarchy (a more detail description can be found in note 11.2 to the consolidated financial statements). The fair value of all derivatives are measured through profit or loss and they are included in financial income and expenses. The fair value of the derivatives equals their carrying amount at year-end.

Fair values of derivatives

MEUR	31 Dec 2021			31 Dec 2020		
	Pos.	Neg.	Net	Pos.	Neg.	Net
Currency derivatives						
External	1.0	-0.4	0.6	0.2	-1.0	-0.8
With entities in the same group	0.0	-0.7	-0.7	0.1	-0.1	0.0
Commodity derivatives						
External	9.3	-2.9	6.4	1.6	-0.9	0.7
With entities in the same group	0.1	-0.4	-0.3	0.1	-0.1	0.0
Total	10.4	-4.4	6.0	2.0	-2.1	-0.2

Nominal values of derivatives

MEUR	31 Dec 2021	31 Dec 2020
Currency forward contracts		
External	122.5	87.3
With entities in the same group	29.4	17.1
Currency options		
External	0.0	8.0
With entities in the same group	0.0	0.0
Commodity futures		
External	22.2	15.2
With entities in the same group	15.4	7.9
Commodity options		
External	-	-
With entities in the same group	-	-

SIGNING OF THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS AND THE AUDITOR'S NOTE

Vantaa, 8th March 2022

AUDITOR'S NOTE

Casper von Koskull
Chairman of the Board of Directors

Elisabeth Drejer von Sydow
Member of the Board of Directors

Our auditors' report has been issued today

Ketil Eriksen
Member of the Board of Directors

Jan Fazer
Member of the Board of Directors

Helsinki, 8th March 2022

Johan Linder
Member of the Board of Directors

Cecilia Marlow
Member of the Board of Directors

Martin Grandell
Authorised Public Accountant

Juhani Mäkinen
Member of the Board of Directors

Laura Tarkka
Member of the Board of Directors

Christoph Vitzthum
Chief Executive Officer

PricewaterhouseCoopers Oy
Authorised Public Accountants

AUDITOR'S REPORT

(Translation of the Finnish Original)

To the Annual General Meeting of Oy Karl Fazer Ab

Report on the Audit of the Financial Statements

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Oy Karl Fazer Ab (business identity code 0202669-3) for the year ended 31 December 2021. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

OTHER STATEMENTS

We support that the financial statements and the consolidated financial statements should be adopted.

The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 8th March 2022

PricewaterhouseCoopers Oy

Authorised Public Accountants

Martin Grandell

Authorised Public Accountant (KHT)



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