

OY KARL FAZER AB

FINANCIAL STATEMENTS
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REPORT BY THE BOARD OF DIRECTORS

Fazer is an international family-owned Food Experience Company, bringing joy and well-being through its high-quality products and services to people in the Nordics, Baltics and beyond to some 40 different countries.

Anticipating consumers' needs to safeguard Fazer's progress in a rapidly changing world will be even more critical as the company masters the food transition. Fazer's strategy serves as a compass pointing to where to take the company.

Fazer's vision, Towards Perfect Days, guides the company on the path it takes with consumers and customers offering them new tastes and experiences that make the best of every moment. In line with its mission, Fazer strives to create Food with a purpose. This means offering delicious and inspiring products that bring people nourishment, health, and well-being, while simultaneously doing good for the planet. Fazer's businesses are driven by a shared passion for creating food experiences and new products for sustainable lifestyles. Fazer wants people to think of Fazer when they remember special occasions because that's how the company delivers on its brand promise, Northern Magic. Made Real.

BUSINESS MODEL

Fazer operates through three business areas: Fazer Bakery, Fazer Confectionery, and Fazer Lifestyle Foods. The Group is also a major player in the Nordic grain milling market, in R&D and in retail by operating shop-in-shop bakeries and cafés throughout Finland, Sweden and the Baltics.

CHANGES TO THE BUSINESS MODEL AND DISCONTINUED OPERATIONS IN 2023

In 2021, Fazer announced its plans to invest in a new confectionery factory in Lahti, Finland, and that if these plans would materialise, the new factory would replace the existing confectionery factories in Vantaa and Lappeenranta. During 2022, however, the company's external operating environment changed significantly, and in March 2023, the company announced a change in the scope of its sweets factory investment plans: Fazer had decided to explore the possibility of moving only chocolate products to a new factory. The production of sugar confectionery will thereby continue in Lappeenranta.

During the year, several organisational changes took place in Fazer Lifestyle Foods. In order to strongly focus on its core business and its plant-based strategy, Fazer Lifestyle Foods discontinued its dairy production during the year. The exit was finalised in August. To streamline its operations, to ensure its competitiveness in the plant-based drinks business and to increase focus at both of its factories, Fazer decided to consolidate the production of its oat drinks and oat-based cooking products from Koria, Finland to its factory in Tingsryd, Sweden, which has decades of experience and highly efficient processes for the large-scale and cost-effective production of high-quality oat drinks. In the future, Fazer's factory in Koria will focus on producing oat gurts. Despite the current slowdown in growth, the consumption of plant-based products is expected to grow in the coming years, and Fazer is strongly committed to the development and production of oat-based and other plant-based products also in the future. Fazer uses high-quality Nordic oats in its products and has unique manufacturing expertise and outstanding ability to innovate new, oat-based products.

During the year, Fazer's Xylitol business was transferred from Fazer Lifestyle Foods to the Group in order to ensure the right resourcing and competences for ramping up production and focusing on accelerating the business to its full capacity.

THE YEAR 2023 IN BRIEF

Good operational performance

Fazer performed well operationally in 2023. Although the company encountered a challenging market defined by price-conscious consumers, increasing private label competition, and raw material and salary inflationary pressures, demand for Fazer's products remained high throughout the year and clear growth was seen in both Fazer Bakery and Fazer Confectionery, whereas Fazer Lifestyle Foods was more severely impacted by rapidly changing consumer preferences and strong competition. Consequently, Fazer Group's net sales increased by 4% to EUR 1,170.1 million (1,122.2). Fazer's comparable operating result clearly recovered from the low levels of 2022, reflecting the company's strong operational performance and the good balance between pricing and strict cost management.

During the past years, the plant-based drink capacity in Europe has increased substantially, followed by rapid and unforeseen change in consumer preferences with price consciousness at its core. This has led to intense competition in the market and private label growth in the markets. In order to respond to these rapid changes and to ensure competitiveness, Fazer decided to consolidate the production of oat drinks and oat-based cooking products from Koria, Finland to its factory in Tingsryd, Sweden. With these measures Fazer is well positioned for profitable growth in the future. The measures taken in plant-based drinks, in combination with a longer than expected ramp up time of Fazer's xylitol factory, led to restructuring costs and impairments totalling EUR 147.8 million, mainly arising from goodwill impairment and write downs of property, plant and equipment due to structural changes. As a result, Fazer Group's operating result decreased substantially and totalled EUR -80.9 million (42.6).

Operating environment

In 2023, Fazer encountered a challenging market defined by price-conscious consumers, increasing private label competition, and raw material and salary inflationary pressures.

Throughout the year 2023, the bakery markets continued to be strongly characterised by consumer price sensitivity, strong price competition and campaigns as well as the increasing share of private label products. Markets grew in value in Finland and Sweden, driven by price increases, but volumes declined. By the end of the year volumes started recovering in both Finland and Sweden. In the Baltic market double digit inflation has reduced consumer purchasing power significantly, as salary adjustments are lagging behind.

Demand in the confectionery market picked up in the second half of 2023, after a somewhat challenging first half. During the Christmas season, growth was seen across all main categories with tablets, wrapped praline boxes and pick n' mix growing above average. Heavy price competition continued during Christmas to attract consumers with aggressive campaigns especially for wrapped praline boxes. In Biscuits and Crisps, private labels continued taking shares from the brands as consumers preferred lower priced products due to inflation. In Fazer Retail, inflation continued to impact demand in cafés negatively, especially in Sweden.

Throughout the year, Fazer Lifestyle Foods' addressable markets were characterised by an inflationary environment and price sensitive consumers who continued to focus on value for money. Consequently, demand for private labels continued to grow in 2023. In all Fazer's Business-to-Consumer categories focus remained on value for money and campaigns, which led to intense competition in all categories. In the Business-to-Business categories customer demand recovered somewhat from the low levels in 2022.

FAZER'S FINANCIAL PERFORMANCE (CONTINUING OPERATIONS)

Net sales and profitability

The Group's net sales increased by 4% to EUR 1,170.1 million (1,122.2). Fazer Bakery's net sales increased by 7% and totalled EUR 462.6 million (432.9), Fazer Confectionery's net sales increased by 9% and totalled EUR 505.0 million (461.4) and Fazer Lifestyle Food's net sales decreased by 9% and totalled EUR 237.0 million (259.7).

Net sales by business area, MEUR	2023	2022	Change
Fazer Bakery	462.6	432.9	7%
Fazer Confectionery	505.0	461.4	9%
Fazer Lifestyle Foods	237.0	259.7	-9%
Other operations	20.7	19.9	4%
Eliminations	-55.2	-51.7	7%
Total	**1,170.1**	**1,122.2**	**4%**

Net sales by country, MEUR	2023	2022	Change
Finland	746.1	695.7	7%
Sweden	269.1	268.1	0%
Estonia	29.4	28.0	5%
Latvia	22.3	18.8	19%
Lithuania	19.9	17.3	15%
Denmark	17.7	17.8	-1%
Norway	14.9	14.8	1%
Other countries	50.7	61.7	-18%
Total	**1,170.1**	**1,122.2**	**4%**

Fazer Group's comparable EBITDA increased by 35% and totalled EUR 137.2 million (101.4) or 11.7 % (9.0 %) of net sales. EBITDA increased by 13% compared to the previous year and totalled EUR 123.7 million (109.5) or 10.6 % (9.8 %) of net sales. EBITDA included items affecting comparability totalling EUR -13.5 million (8.1). In 2023, the Group's comparable operating result increased by 94% and totalled EUR 66.9 million (34.4), or 5.7 % (3.1 %) of net sales. As a result of the goodwill impairment and write downs of property, plant and equipment, the Group's operating result decreased by 290% and totalled EUR -80.9 million (42.6), or -6.9 % (3.8 %) of net sales.

MEUR, or as indicated	2023	2022	Change
Continuing operations			
Net sales	1,170.1	1,122.2	4%
Comparable EBITDA	137.2	101.4	35%
Comparable EBITDA margin	11.7 %	9.0 %	
IAC's in EBITDA*	-13.5	8.1	-266%
EBITDA	123.7	109.5	13%
EBITDA margin	10.6 %	9.8 %	
Comparable operating result	66.9	34.4	94%
Comparable operating result margin	5.7 %	3.1 %	
IAC's in operating result*	-147.8	8.1	-1919%
Operating result	-80.9	42.6	-290%
Operating result margin	-6.9 %	3.8 %	
Result before taxes	-85.2	38.2	-323%
Result for the period			
Continuing operations	-85.9	34.2	-351%
Discontinued operations	-0.7	-18.0	96%
Total	-86.5	16.2	-635%

*Items affecting comparability include e.g. impairments of EUR 87.5 million (0) relating to impairment of goodwill of Fazer Lifestyle Foods and the Xylitol factory, impairments and write downs of property, plant and equipment totalling EUR 46.8 million (0), mainly relating to structural changes in oat drinks production and longer than expected ramp-up of the Xylitol factory and EUR -9.6 million (3.3) relating to changes in fair values of open electricity derivatives.

Net financial items amounted to EUR -4.3 million (-4.4), with the biggest decrease compared to previous year arising from changes in fair value of commodity derivatives used for hedging especially energy prices. The result before taxes from continuing operations decreased to EUR -85.2 million (38.2), and the result for the period totalled EUR -86.5 million (16.2).

Cash flow and financial position

Fazer Group's cash flow from operating activities amounted to EUR 142.7 million (72.7) and the increase was mainly a result of improved profitability and reduced working capital. Cash and cash equivalents amounted to EUR 61.6 million (67.1).

At the end of December 2023, net debt totalled to EUR 41.9 million (78.3). The gearing ratio was 6.2 % (9.9 %). At the end of December, the consolidated balance sheet amounted to EUR 1,045.1 million (1,209.9). The Group's equity ratio was 64.6 % (65.4 %).

Capital expenditure

Capital expenditure amounted to EUR 45.8 million (59.9). The single largest ongoing project is the investment decision planning in a new chocolate factory in Lahti, Finland, while other investments consisted of several smaller projects relating to production capacity in Fazer Lifestyle Foods and Fazer Bakery. Capital expenditure and leasing asset is expected to increase significantly in 2024, should the investment decision for the new chocolate factory proceed.

Depreciations and amortisations amounted to EUR 70.3 million (67.0) and impairments to EUR 134.3 million (0) of which EUR 87.5 million relates to the impairment of goodwill of Fazer Lifestyle Foods and the Xylitol factory. In addition to this, write downs were made to property, plant and equipment totalling EUR 46.8 million, mainly relating to structural changes in oat drinks production and longer than expected ramp-up of the Xylitol factory.

Employees

At the end of December 2023, Fazer had 4,743 (4,875) employees. Fazer Bakery employed 2,320 (2,254), Fazer Confectionery 1,641 (1,695), Fazer Lifestyle Foods 471 (618) and Other operations 312 (308). Of the Group's personnel 69% worked in Finland, 19% in Sweden, and 11% in the Baltics, Fazer's three largest markets.

Personnel by business area, end of period	2023	2022	Change
Fazer Bakery	2,320	2,254	3%
Fazer Confectionery	1,641	1,695	-3%
Fazer Lifestyle Foods	471	618	-24%
Other operations	312	308	1%
Total	**4,743**	**4,875**	**-3%**

Personnel by country, end of period	2023	2022	Change
Finland	3,284	3,397	-3%
Sweden	889	878	1%
Latvia	265	278	-5%
Lithuania	196	213	-8%
Estonia	81	78	4%
Denmark	17	20	-15%
Norway	11	11	0%
Poland	1	1	0%
Total	**4,743**	**4,875**	**-3%**

Research and development

Fazer Lab (Fazer Group's research and innovation unit) continued the work in a three-year R&D programme called Fazer Upcycled that was initiated in March 2023. The programme aims to discover and develop value-added solutions to utilise food production side streams, surplus production, and underutilised product streams. The solutions can be new food concepts, new food ingredients or even used in sustainable non-food applications. The ultimate objective of the programme is to innovate means to improve material efficiency and decrease food loss.

In Fazer Lab's nutrition research agenda, Fazer's project in SLU Uppsala's LivsID Industrial PhD programme was completed. The doctoral thesis entitled "Whole grain and gut-brain axis" investigated effects of whole grain bread on gut microbiota and their metabolites in a laboratory set-up and in a dietary intervention study and was successfully defended in December 2023.

Fazer Group's 2023 research and development costs amounted to EUR 10.7 million (10.1), a growth of 5% compared to the previous year.

BUSINESS AREA PERFORMANCE

Fazer Bakery

Fazer operates in the bakery markets through its three business units: Fazer Bakery Finland, Fazer Bakery Sweden and Fazer Bakery Baltics. Fazer is one of the market leaders in all three markets.

Throughout the year 2023, the bakery markets continued to be strongly characterised by consumer price sensitivity, strong price competition and campaigns as well as the increasing share of private label products. Markets grew in value in Finland and Sweden, driven by price increases, but volumes declined. By the end of the year, volumes started recovering in both Finland and Sweden. In the Baltic market, double digit inflation has reduced consumer purchasing power significantly, as salary adjustments are lagging behind. Price pressure and competition is expected to remain high in all bakery markets in 2024.

As part of Fazer Bakery Finland's consumer-centric strategy, and to grow its baking capacity, Fazer is building a new, energy-efficient bread line in the Lahti bakery. With the investment, Fazer will develop its baking capabilities and improve energy efficiency, and significantly reduce the Lahti bakery's CO2 emissions in accordance with the company's emission reduction targets. The project is progressing well. During 2023, Fazer Bakery Finland reviewed and updated its shop-in-shop bakery operating model and organisation to further strengthen the business and to respond quickly to changing customer and consumer needs. Fazer's shop-in-shop bakery business has grown rapidly in recent years. To date, Fazer has 139 shop-in-shop bakeries in Finland, and 12 in the Baltics.

In 2023, Fazer successfully piloted its first shop-in-shop bakery in Sweden and is planning to open several additional ones in 2024. Fazer Bakery net sales increased by 7% and totalled EUR 462.6 million (432.9). Excluding currency effects, net sales increased by 9% compared to the corresponding period 2022. Net sales in Fazer Bakery Finland were particularly strong, reaching all-time high levels, driven by favourable listings, good price management and growth in shop-in-shop bakery volumes. Growth in Fazer Bakery Sweden was mainly attributable to growth in private labels and Out of Home Consumption. The launch of Fazer's Skogaholmsrutan novelty was well received in Sweden and demand was good. In Fazer Bakery Baltics, net sales were impacted by volume decline, price decreases for selected products as well as the high promotion activity.

At the end of December 2023, Fazer Bakery employed 2,320 (2,254) people.

Fazer Confectionery

Fazer is the leading confectionery company in Finland with strong market positions in Sweden, the Baltic countries and travel retail. Demand in the confectionery market picked up in the second half of 2023, after a somewhat challenging first half. During the Christmas season, growth was seen across all main categories with tablets, wrapped praline boxes and pick n' mix growing above average. Heavy price competition continued during Christmas to attract consumers with aggressive campaigns especially for wrapped praline boxes. In Biscuits and Crisps, private labels continued taking shares from the brands as consumers preferred lower priced products due to inflation. In Fazer Retail, inflation continued to impact demand in the cafés negatively, especially in Sweden.

Fazer Confectionery's net sales increased by 9% and totalled EUR 505.0 million (461.4). Excluding currency effects net sales increased by 11%. Throughout the year, markets continued to reflect high consumer price sensitiveness shifting demand to discount retailers and price leader retail chains as well private labels both in confectionery and biscuits. Demand in Fazer Confectionery clearly picked up during the second half of the year. Net sales growth was mainly driven by price increases, whereas volumes declined slightly. In Finland, the biggest growth was seen in countlines and chocolate tablet novelties. Also, Fazer's seasonal offering was well received by consumers. In 2023, Fazer Domino celebrated its 70-anniversary with several well received new flavour launches, following the most popular suggestions voted for in the MyFazer community. In Fazer Retail, the successful growth in Fazer Cafés in Finland continued. To deliver on evolving consumer expectations, Fazer seeks to, at all moments, understand what drives consumption and continuously adapt and streamline the food assortment in the cafés without hampering the traditional offering of cakes and bakery products that consumers have come to love and strongly connect to their family traditions.

At the end of December 2023, Fazer Confectionery employed 1,641 (1,695) people.

Fazer Lifestyle Foods

Fazer Lifestyle Foods focuses on plant-based drinks, smoothies, breakfast foods such as porridges, cereals, and mueslis. Fazer Lifestyle Foods brands include Fazer Aito, Fazer Alku, Frebaco and Froosh. In addition, the product range includes flours, mixes, and ingredient solutions that are sold to industrial customers and co-manufacturing of plant-based drinks and breakfast products for retailers' private label brands and other customers. The business has operations in Finland and Sweden and sales across Europe.

During the past years, the plant-based drink capacity in Europe has increased substantially, followed by rapid and unforeseen change in consumer preferences with price consciousness at its core. This has led to intense competition and private label growth in the markets. In the inflationary environment, price sensitive customers continued to focus on value for money and demand for private labels continued to grow in 2023. In all Fazer's business-to-consumer categories focus remained on value for money and campaigns, which led to intense competition in all categories. In the business-to-business categories customer demand recovered somewhat from the low levels in 2022.

In February 2023, Fazer Lifestyle Foods announced changes in its production at the Koria factory and the discontinuation of its dairy production to strongly focus on the execution of its plant-based strategy. The dairy business gradually discontinued during the year and ended completely at the end of August. As a result of the change negotiations conducted at the site, 82 employment contracts were terminated. In order to respond to rapid changes in the market and to ensure competitiveness, Fazer decided to consolidate the production of oat drinks and oat-based cooking products from Koria, Finland to the factory in Tingsryd, Sweden. Although competition is expected to continue, with these measures Fazer is well positioned to grow in this category. In order to ensure strong focus on the ramp-up and proper resourcing, the xylitol factory was transferred from the Fazer Lifestyle Foods to the Group. The 2022 and 2023 figures have been restated accordingly. In addition, Fazer Lifestyle Foods made several internal reorganisations to support profitable growth. Fazer Lifestyle Foods is now well positioned to continue executing its strategy.

Fazer Lifestyle Food's net sales decreased by 9% and totalled EUR 237.0 million (259.7). Excluding currency effects net sales decreased by 6% compared to the corresponding period 2022. The negative sales development was mainly related to dairy sales, a business that was discontinued during the year. The net sales impact from the discontinuation of the dairy business, which was finalised in August, was approximately EUR -11 million in 2023. Demand was subdued for plant-based drinks and Fazer Lifestyle Foods' industrial products with a decline in net sales as a result. Demand for smoothies remained stable at the previous year level.

At the end of December 2023, Fazer Lifestyle Foods employed 471 (618) people.

FAZER GROUP 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:

- Building an even stronger position as the number one FMCG brand in Finland
- Accelerating growth through innovations, on-trend categories and foodtech
- Developing leading positions in northern Europe
- Excelling in ways of working to become the industry leader in profitability
- Developing food as a solution for a more sustainable planet and business
- Evolving the culture and driving critical capabilities to enable continuous success

Strategy implementation in 2023

During 2023, Fazer Group continued to implement its strategy for profitable growth and took several strategic steps:

As announced in the first quarter of 2023, significant changes in the operating environment, rapid accumulation of interest rates and changes in consumer behaviour led to a change in Fazer's plans for a new confectionery factory, with a narrowed scope of production of chocolate products only. As a result, the production of sugar confectionery, previously included in the plans, remains in Lappeenranta.

Fazer Lifestyle Foods continued to strongly focus on its core business and the execution of its plant-based strategy and in January announced changes in production at the Koria factory and the

discontinuation of its dairy production. The discontinuation was finalised in August.

The slowdown of growth in the consumption of plant-based drinks, as well as increased production capacity in Europe, has increased competition in the plant-based drinks markets. In parallel, consumers are more price-conscious, and the market has become increasingly campaign-driven. To ensure its competitiveness in the plant-based drinks business and to increase focus at both of its factories, Fazer decided to consolidate the production of its oat drinks and oat-based cooking products from Koria, Finland to its factory in Tingsryd, Sweden. The transition will be gradual, with an estimated completion by autumn 2024. In the future, Fazer's factory in Koria will focus on producing oat gurts.

As part of Fazer Bakery Finland's consumer-centric strategy, and to grow its baking capacity, Fazer is building a new, energy-efficient bread line in the Lahti bakery. With this investment, Fazer will develop its baking capabilities and improve energy efficiency, and significantly reduce the Lahti bakery's CO2 emissions in accordance with the company's emission reduction targets.

During the year, Fazer Bakery Finland reviewed and updated its shop-in-shop bakery operating model and organisation to further strengthen the business and to respond quickly to changing customer and consumer needs. Fazer's shop-in-shop bakery business has grown rapidly in recent years. To date, Fazer has 139 shop-in-shop bakeries in Finland and 12 in Estonia. In 2023, Fazer Bakery successfully piloted its first shop-in-shop bakery in Sweden and is planning to open several additional ones in 2024.

In August, Fazer Retail announced its intention to open four Gateau cafés across Arlanda Airport in partnership with SSP Group, a leading operator of food and beverage outlets in travel locations. These are the first Gateau cafés opened at Arlanda, a marketplace where 19 million travellers and some 15,000 employees pass by every year. At the end of 2023, Fazer had 35 Gateau cafés in Sweden, located in Stockholm, Uppsala and Skåne. In Finland, the number of Gateau cafés is 13. Fazer Retail also includes 20 Fazer Cafés in Finland.

Fazer Flow, an initiative to harmonise and develop Fazer's processes and data, commenced in 2023 continues in 2024 by global data and process owners to gain synergies and efficiencies throughout the Group.

Throughout the year, Fazer continued to focus strongly on sustainability activities in all businesses and functions. In the spring, Fazer launched a unique vegan candy tablet, Taste the Future, produced without cocoa. This novelty candy tablet is produced with malted Finnish grain. The innovation is part of Fazer's agenda for introducing innovative and sustainable food solutions as well as developing the future of chocolate. Other activities included the introduction of food loss as a KPI in the Groups Performance Bonus scheme, reducing emissions in Fazer's operations and engaging with suppliers to reduce emissions in the value chain in accordance with its commitment to Science Based Targets initiative (SBTi). In addition, Fazer focused on reducing the use of palm oil in its confectionery and biscuits portfolio, and also made progress in finding alternative solutions in its bakery business where the palm oil in the Oululainen Pullava sweet loaf has been replaced with rapeseed. Fazer Lifestyle Foods expanded its plant-based ingredients into the personal care industry with Nordic Oats, most of which are grown near to Fazer's own mills and are used to produce ingredients such as Fazer Xylitol® and Fazer Oat Oil.

NON-FINANCIAL INFORMATION

Fazer's reporting of 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, anti-corruption and bribery. This voluntary disclosure has been compiled for the purposes of transparency 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 is provided in Fazer's Annual Review.

Sustainability – integral part of Fazer's business

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 engrained in the company's strategy and influences everything from its management, operations and supply chain, new product innovations and R&D, as well as marketing and branding. To advance sustainable practices, Fazer also cooperates and engages with a variety of stakeholders from educational and research institutions to farmers and NGOs.

Sustainability governance and management

Fazer's sustainability governance practices are based on the ten international principles of the UN Global Compact. The company follows the UN Guiding Principles on Business and Human Rights

and 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 Quality, Environment, occupational Health and Safety (QEHS) Policy. In its sourcing, Fazer applies its Supplier Code of Conduct (SCoC), and expects compliance from its raw material and service providers.

The highest authority in sustainability matters at Fazer lies with its Board of Directors (Board) and the Fazer's Leadership Team. The Board reviews and approves the company's strategy and sustainability ambitions, the Group-level risk assessment, which includes the identified sustainability and climate risks, as well as Fazer's material sustainability topics and reporting. The Board receives regular updates on sustainability matters related to Fazer's business and its progress towards its sustainability targets, as well as the regulatory landscape and trends. Even though sustainability matters are integrated to various other topics as part of the Board's regular meeting agenda, they are also discussed at least biannually as a separate item. The Chairman of the Board also acts as the Board's Environment, Social and Governance (ESG) sponsor for a more effective linkage to Fazer's ESG Steering Group. The sponsor is accountable for ensuring that the work is governed effectively and delivers the objectives that meet identified needs.

On an operational level, Fazer's ESG Steering Group, chaired by the CEO, discusses strategic sustainability topics, and prepares them for decision-making in Fazer's Leadership Team. The practical sustainability work is managed and implemented by the Group's sustainability team, as well as the sustainability and QEHS experts in the business areas and other relevant business or project teams. On site level, sustainability matters are integrated in the operational management systems. For example, the Occupational Health and Safety (OHS) management systems of Fazer sites are, as minimum, based on the local legislative requirements, and most of them also hold the ISO 14001 and ISO 45001 certificates. All Fazer's production sites have food safety management certifications (FSSC 22000, IFS) approved by the Global Food Safety Initiative (GFSI).

Sustainability risks and their management

Fazer evaluates and analyses its sustainability risks as part of the Group-wide Enterprise Risk Management (ERM) process. As part of their operative QEHS management, business areas and business units additionally conduct risk assessments and mitigation plans on sustainability. In 2023, Fazer conducted an in-depth double materiality assessment. The materiality assessment not only supports Fazer in determining the scope of the company's future sustainability reporting in compliance with the Corporate Sustainability Reporting Directive (CSRD), but also provides indispensable insights for shaping the sustainability ambitions and company strategy.

The assessment allowed Fazer to prioritise key impacts, risks, and opportunities effectively. The results of the assessment can be found in the sustainability section of the Annual Review. In addition to the ERM process and risks identified in the double materiality assessment, issue management teams identify the potential sustainability issues in different markets and proactively prepare for them. All 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-related risks concern the availability and price of raw materials and energy, damage to brand and reputation, talent management and workforce availability, changing consumer behaviour, Fazer's sustainability performance and its potential effect on access to capital, as well as changes in legislation and taxation. These risks are further described in the Risks and business uncertainties section. Fazer also elaborates on the climate-related risks and their mitigation, as well as the opportunities presented by climate action in a separate section below.

Fazer pays specific attention to the supply chains of high-risk raw materials, such as cocoa, palm oil and soy. To mitigate the supply chain risks, Fazer engages in a number of activities, depending on the risk level of the supplier. The basic requirements to all suppliers are included in Fazer's SCoC, and the company has higher sustainability standards for chosen raw materials, such as cocoa, grain, palm oil, soy, eggs, and hazelnuts.

Climate-related risks and opportunities

With the increasing need to mitigate climate change, Fazer continues to innovate sustainable products 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. By closely monitoring and anticipating the developments in consumer needs, the company develops its business to better respond to consumer demand for more sustainable and plant-based products. In addition to the clear business opportunities that arise from combatting climate change, Fazer has equally identified climate-related

operational and strategic risks. The most significant climate-related risks concern 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 an 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 a 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 weather conditions, such as droughts and volatility in weather patterns, pose a severe risk to the farming conditions of Fazer's raw materials in certain areas, particularly the tropics. 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. A concrete example of this is Fazer's participation in a research project that explores cellular agriculture as a farming method for cocoa, as its traditional growing areas are threatened by climate change.

Environmental responsibility

Fazer aims to mitigate climate change and reduce emissions, optimise the use of resources through circularity, as well as reduce food loss and overall waste generation. These are the focus areas of one of Fazer's sustainability ambitions: Climate & Circularity. The largest environmental impacts of Fazer's business stem from the value chain, notably from raw material production.

Fazer has set ambitious greenhouse gas (GHG) emissions reduction targets that are validated by SBTi and 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 the same 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. Due to the divestment of its Russian operations and other changes in its organisational scope and calculation methods, Fazer recalculated its baseline emissions and the targets.

Despite the challenging operating environment in 2023, Fazer continued its emissions reduction initiatives with clear roadmaps and well-planned activities. Fazer's total emissions (scope 1,2 & 3) amounted to 653,853 tCO2e (725,076 tCO2e), decreasing 10% compared to the previous year and by 6% compared to the baseline year 2020. The majority of Fazer's emissions originate from the value chain (scope 3), accounting for approximately 95% of Fazer's total emissions.

In 2023, Fazer made good progress towards its Science Based Target for its own operations (scope 1 and 2). These emissions decreased by 14% compared to 2022 and 24% compared to the baseline year 2020. The decrease is mainly attributable to transferring to green district heating in all major industrial sites in Finland, a new efficient portion bread line in Vantaa Bakery as well as the higher share of bio-based steam in Lahti, Finland. Fazer's value chain emissions (scope 3) decreased 10% from the previous year and 5% from the baseline year 2020.

Reducing food loss is a high priority for Fazer, and the company aims to reduce avoidable food loss by 50% by 2030 compared to a 2020 baseline. In 2023, Fazer achieved a 5% reduction in avoidable food loss compared to previous year and an 6% decrease compared to base year 2020.

Sustainable products, innovations, and food safety

Becoming a leader in plant-based foods in the Nordics is Fazer's strategic aim, and Sustainable Products & Innovations is another one of the company's sustainability ambitions. The aim is to provide more plant-based food to support the well-being of people and the planet, as it helps reduce climate emissions while also improving human health. One of the key sustainability targets for Fazer is to increase the share of plant-based products in its offering. In 2023, the share of plant-based products in Fazer's offering is 45% (48%). At the start of the year, Fazer began monitoring the share of plant-based novelties in its offering on a quarterly basis. Due to the challenging economic environment and consumer price sensitiveness, Fazer

launched fewer plant-based novelties in 2023 compared to the previous year, with a share of 37% (48%). Throughout the year, Fazer advanced the process of enhancing its sustainable product portfolio. This involved investing in research and development (R&D), developing new products, conducting tests, introducing them to the market, and ultimately promoting them to gain consumer attention and preference. Embracing the circular economy, Fazer launched 'Fazer Upcycled', an R&D program geared towards extracting value from the production side streams. Furthermore, Fazer introduced numerous plant-based novelties, and, continuing its commitment to sustainability, progressed in removing palm oil from its Geisha and Pullava products.

Fazer's research and development focuses on innovations on R&D, nutrition and plant-based food. For example, Fazer participates in a three-year R&D project that explores cell-cultured cocoa as an optional ingredient for chocolate as part of CERAFIM, a Finnish research project. Fazer also focuses on the development of more sustainable packaging innovations that support the transition to a circular economy.

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. The company has high quality standards for raw materials, stringent allergen guidelines and systematic quality assurance processes for finished products. Fazer engages in continuous actions to mitigate food fraud risks and to improve food defence through access control systems. In 2023, there were 5 product recalls regarding food safety. The product recalls were made due to safety precautions related to defects in allergen labelling or possible presence of contaminants.

Sustainable sourcing

Sustainable Sourcing is one of Fazer's main sustainability focus areas with an aim of having a fair and sustainable supply chain. Fazer's sustainable sourcing approach includes both environmental and social aspects, and the company specifically focuses on the supply chains of its most important or high-risk raw materials, such as cocoa, palm oil and soy.

Under Fazer's Cocoa vision programme, the Group completed third-party verification and action plans with SCS Global Services, and established programme reporting with suppliers. During the year, Fazer also published an Animal Welfare policy and made new commitments regarding coffee and meat standards.

Regarding one of Fazer's key raw materials, cocoa, the company further solidified its sustainable sourcing practices by introducing the Fazer Cocoa Standard during 2022. The standard sets concrete requirements for sustainably managed cocoa and has been developed together with the independent auditor SCS Global Services. Fazer already sources 100% sustainable cocoa, of which a growing share of 60% (59%) was sourced through farmer programmes in 2023. The remaining share of 40% (41%) is certified by the Rainforest Alliance or the Fairtrade cocoa programme. Importantly, 35% of the cocoa sourced by Fazer comes from traceable sources, the target being 100% by 2027.

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.

Out of the purchased palm oil during 2023, 98% (98%) was segregated, the most sustainable option in the Roundtable for Sustainable Palm Oil (RSPO) certification system. The remaining share was sourced using the mass balance method. Fazer has committed to replacing palm oil in all its confectionery and biscuit products by 2024.

Fazer maintains different levels of supplier engagement regarding sustainability, ranging from contractual elements to certification and training programmes, as well as risk and sustainability assessments and audits. All suppliers, including subcontractors, are expected to adhere to the SCoC. Of Fazer's total external spend, 87% (86%) had signed the SCoC by the end of 2023. Fazer successfully engaged 47% of its suppliers by spend to commit to the SBTi, in line with its targets for scope 3 emissions. Fazer initiated a project to calculate its forest, land, and agriculture-related (FLAG) emissions, mandated by SBTi for food companies, to set new targets in 2024. During the year, Fazer significantly improved its processes for sustainable sourcing by updating its sustainability self-assessment questionnaires for suppliers, training its own employees on supply chain -related sustainability matters and establishing Fazer's own Cocoa Standard.

Personnel, employment, and social matters

A fourth important sustainability ambition for Fazer is People & Well-being. Fazer aims to be a force for good in people's lives, striving to create a safe and inspiring working environment where all its employees can learn and thrive. The company's people agenda

encompasses the themes of health and safety, engagement and well-being, as well as diversity and inclusion. Fazer's workforce comprises of 4,743 (4,875) full-time equivalent (FTE) employees. In addition to its own employees, Fazer indirectly impacts the employees of its suppliers and partners.

The safety of personnel is naturally a priority for Fazer, and the company is actively working towards the target of zero accidents. In 2023, Fazer's LTAF (Lost Time Accident Frequency) was at 5.1 (4.1), clearly worse than previous year. 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. In 2023, Fazer launched the One Fazer Safety programme in order to take the next steps to strengthen its safety culture throughout Fazer.

A total of 10,831 safety observations were made, which is a 6% decrease compared to last year. There was one fatality in 2023. The accident is currently under investigation.

Fazer conducts regular employee engagement surveys, and the results from 2023 showed a highly engaged team who feel proud of working at Fazer and who strongly support the company's goals. In total, 74% of employees responded to the survey.

Respect for human rights, anti-corruption and preventing bribery
Respecting individuals' human rights and preventing any violations is of utmost importance to Fazer. In 2022, Fazer conducted human rights risk and impact assessments to identify and understand the potential adverse impacts throughout Fazer's value chain. The assessment confirmed that global raw material supply chains, including Fazer's own, involve high risks relating to child labour, modern slavery, occupational safety and health, and living wages. Fazer has used the findings to guide its actions to expand supply chain programmes and strengthen its work to prevent human rights violations. The findings also equip the company to better track its performance in preventing and mitigating effects in the future.

To proactively prevent child labour, during the previous year Fazer had implemented the abovementioned CLMRS with its cocoa suppliers. The relevant suppliers now provide Fazer with quarterly reports, allowing the company to closely monitor and promptly address any incidents or risks related to child labour.

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. The company's Code of Conduct training is an important means of training its employees on ethical business practices.

Employees and external parties can report observed or suspected cases of serious misconduct through a whistleblowing channel. In 2023, one whistleblowing reports alleging a serious breach of laws or regulations representing a public interest was reported. The whistleblowing report has been investigated and closed. The investigation did not reveal the alleged breach as reported. One case opened 2022 is still pending investigation. The Board of Directors receives a report of the whistleblowing cases annually.

RISKS AND 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. The risk management process is described in the Corporate Governance section in the annual review.

Price and availability of raw materials and commodities
Fazer's Group strategy is built on profitable growth. Fazer purchases large quantities of raw materials, and availability and fair pricing of certain key raw materials is crucial to Fazer's business success. Geopolitical uncertainty and other supply chain disruptions can lead to sudden and significant availability issues and increases in the cost of raw and packaging materials, commodities, or logistics which 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 and to understand geographical dependencies. Raw material prices are hedged according to the Group policies. In 2023, all Business Areas continued to be challenged by inflationary pressure in key raw material prices but managed to mitigate the most severe impacts by price increases and short-term adaptation actions within the Group.

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 and customer requirements. 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 2023, Fazer's brand reputation remained strong, and the company was elected as the most reputed brand in Finland.

Energy

The food processing industry is energy intensive, and the majority of the thermal energy is provided by natural gas-fired boilers. The single largest use of electrical energy is used for refrigeration purposes.

In 2023, the energy markets stabilised at significantly lower levels than 2022. However, the markets remained sensitive as new and on-going geopolitical conflicts continued to overshadow the energy markets. During the year, Fazer continued to implement its energy strategy and made several investment decisions with the purpose to both broaden the use of energy sources, increase energy efficiency and reduce emissions.

Chocolate factory investment

Fazer's strategic objective is to strengthen its position as Finland's leading fast-moving consumer goods company. Growth will be accelerated by means of consumer-oriented innovations, on-trend categories and R&D. As part of the strategy implementation, Fazer plans to invest in a new world-class chocolate factory in Lahti, Finland, which would meet future consumer expectations, enhance working conditions, and improve energy efficiency. If the plan is realised, the new factory would replace the existing chocolate factory in Vantaa. A significant postponement of the investment decision, and consequent construction, could have a negative impact on Fazer's competitiveness in the future. In order to reduce the risk, Fazer is preparing a detailed project plan, including a risk assessment as well as clear mitigation plans. To mitigate the risk of significantly higher than planned investment costs, efficiency initiatives and continuous savings potential monitoring is in place. If the investment plan is realised, this would increase Fazer's financing and refinancing risks.

Workforce and talent management

The implementation of Fazer's strategy and strategic transformation requires new kinds of skills and competences. 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 competences. 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.

Consumer demand, products, and innovations

Changing consumer preferences, Fazer's failure to develop and expand its brand portfolio while creating demand in growing categories outside Finland, as well as longer than competition innovation cycles, and high price perception could lead to a decrease in demand for Fazer's products. Fazer continuously monitors consumer preferences and trends in close cooperation with its retail customers and looks for opportunities to invest and expand in growth categories with a continuous focus on portfolio, novelties, and innovations and meet consumer expectations.

Sustainability

Sustainability is embedded in Fazer Group's and the Business Area strategies. The company has ambitious sustainability targets within areas such as emission reduction, food loss, sustainable packaging, and sustainable sourcing. A failure to meet these targets could lead to reputational damages and limited access to cost-efficient capital. In order to mitigate risk, Fazer has clearly defined and frequently monitored roadmaps to ensure that set targets are met. Should any deviations from defined roadmaps occur, corrective actions would be taken without due delay.

Changes in regulation and taxation

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 reduce emissions throughout its supply chain.

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 develops its product portfolio accordingly.

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, on-going 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, financing 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 defined in respective policies approved by the Board of Directors. More information on financial risk management can be found in the notes to the financial statements.

BOARD OF DIRECTORS AND FAZER LEADERSHIP TEAM

On 31 December 2023, the Board of Directors comprised Casper von Koskull (Chair), Harry Brouwer, Elisabeth Dreijer von Sydow, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow, Juhani Mäkinen and Laura Tarkka.

On 31 December 2023, the Fazer Leadership Team comprised Christoph Vitzthum (President and CEO, Chairman), Aaron Barsness (EVP, CMO), Jenni Gallagher (EVP, People) Jouni Grönroos (CFO & Deputy CEO), Sebastian Jägerhorn (EVP, Legal & Compliance), Joséphine Mickwitz (EVP, Communications & Sustainability), Lara Saulo (MD, Fazer Confectionery) and Krister Zackari (MD, Fazer Lifestyle Foods).

DECISIONS TAKEN AT THE ANNUAL GENERAL MEETING

Oy Karl Fazer AB's Annual General Meeting was held on 13 April 2023 in Vantaa, Finland. The Annual General Meeting approved a distribution of dividend of EUR 3.00 per share.

The number of members of the Board was confirmed at nine. The current Board members Casper von Koskull (Chair), Harry Brouwer, Elisabeth Dreijer von Sydow, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow, Juhani Mäkinen and Laura Tarkka were re-elected to the Board of Directors.

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

SHARES AND SHARE CAPITAL

At the end of 2023, Oy Karl Fazer Ab's share capital totalled EUR 136,790,500 and the number of preference shares was 4,474,325 and ordinary shares was 2,365,200.

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.

On 25 August 2023, an extraordinary general meeting decided to arrange a directed share issue in which a maximum of 248,226 new

preference shares with a subscription price of 264.32 euro would be issued by Oy Karl Fazer Ab. The shares were used as payment in kind for the acquisition of shares in Fazer Bakeries B.V. A total of 133,286 new preference shares, equivalent to EUR 35.2 million, were issued 1 October 2023. The nominal value of 20 euro per share, equivalent to EUR 2.7 million, was recorded as an increase of the share capital and the rest, EUR 32,6 million, in the reserve for invested unrestricted equity.

CHANGES IN GROUP LEGAL STRUCTURE

In 2023 Fazer continued to simplify to Group's legal structure by merging several companies. The Dutch subsidiary Fazer Bakeries B.V. was merged with Oy Karl Fazer Ab on 1 October 2023. A more detailed descriptions of changes in the Group legal structure can be found in note 25 to the consolidated financial statements.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the reporting period.

OUTLOOK 2024

Despite slightly slowing inflation and lowering of interest rates, Fazer expects private consumption to continue to reflect a high level of caution and price sensitiveness in 2024. Consequently, Fazer's net sales are expected to remain stable or grow slightly compared to 2023. Price pressure and availability of specific key raw materials, such as cocoa and sugar, as well as geopolitical tensions are expected to continue to create uncertainty in the commodity markets. With the structural changes and efficiency measures taken in 2023, as well as Fazer's ability to respond swiftly to market changes, Fazer expects comparable operating result to improve in 2024. Capital expenditure and leasing assets are expected to increase significantly in 2024, should the investment decision for the new chocolate factory proceed during the year.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable equity on 31 December 2023 was 921,962,991.13 euro of which -17,232,882.66 euro represent loss for the financial year. The Board of Directors proposes to the Annual General Meeting that the distributable equity should be appropriated as follows:

- a dividend of 3.00 euro per share to be paid	20,518,575.00	euro
- to be retained in non-restricted equity	901,444,416.13	euro
	921,962,991.13	**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

	2023	2022	2021	2020	2019
Income statement					
Net sales, MEUR *	1,170.1	1,122.2	991.9	1,101.2	1,097.0
Comparable EBITDA, MEUR *	137.2	101.4	112.4	122.5	113.8
Comparable EBITDA, % *	11.7 %	9.0 %	11.3 %	11.1 %	10.4 %
EBITDA, MEUR *	123.7	109.5	97.1	118.1	111.1
EBITDA, % *	10.6 %	9.8 %	9.8 %	10.7 %	10.1 %
Comparable operating result, MEUR *	66.9	34.4	53.0	58.2	51.7
Comparable operating result, % *	5.7 %	3.1 %	5.3 %	5.3 %	4.7 %
Operating result, MEUR *	-80.9	42.6	36.0	52.6	49.1
Operating result, % *	-6.9 %	3.8 %	3.6 %	4.7 %	4.5 %
Result before taxes, MEUR *	-85.2	38.2	36.2	41.8	51.6
result before taxes, % *	-7.3 %	3.4 %	3.6 %	3.8 %	4.7 %
Result for the period, continuing operations, MEUR	-85.9	34.2	24.5	32.6	38.9
Result for the period, discontinued operations, MEUR	-0.7	-18.0	7.6	407.8	35.4
Result for the financial year, MEUR	-86.5	16.2	32.0	440.4	74.4
Attributable to owners of the parent, MEUR	-87.2	21.3	29.9	366.7	66.4
Attributable to non-controlling interests, MEUR	0.7	-5.1	2.1	73.7	8.0
Earnings per share attributable to owners of the parent					
Continuing operations, basic and diluted, EUR	-12.86	5.02	3.60	4.82	5.81
Discontinued operations, basic and diluted, EUR	-0.08	-1.85	0.86	51.43	4.69
Group, basic and diluted, EUR	-12.94	3.17	4.46	56.25	10.50

	2023	2022	2021	2020	2019
Balance sheet					
Non-current assets, MEUR	723.2	854.7	770.5	731.2	628.2
Current assets, MEUR	258.4	285.4	281.2	246.1	231.7
Cash and cash equivalents, MEUR	61.6	67.1	226.5	345.6	40.6
Assets held for sale, MEUR	1.9	2.6	-	-	171.9
Equity attributable to the owners of the parent, MEUR	674.8	725.2	805.3	869.3	494.1
Non-controlling interest, MEUR	-	65.5	67.9	65.2	69.6
Interest-bearing liabilities, MEUR	103.6	145.4	131.3	132.3	167.6
Non-interest-bearing liabilities, MEUR	266.5	273.3	273.8	256.0	224.0
Liabilities related to assets held for sale, MEUR	0.3	0.4	-	-	117.1
Balance sheet total, MEUR	1,045.1	1,209.9	1,278.2	1,322.8	1,072.4
Key figures					
Capital expenditure, MEUR	-45.8	-59.9	-82.1	-92.8	-57.5
Dividend / share, EUR **	3.00	3.00	13.60	14.40	9.10
Net debt, MEUR	41.9	78.3	-95.2	-213.3	127.0
Gearing	6.2 %	9.9 %	-10.9 %	-22.8 %	22.5 %
Return on equity (ROE)	-11.8 %	1.9 %	3.5 %	58.8 %	13.4 %
Equity ratio	64.6 %	65.4 %	68.3 %	70.7 %	52.6 %
Return on capital employed (ROCE) % *	-9.4 %	4.4 %	3.5 %	5.9 %	7.0 %
Personnel, avg. FTE *	4,870	4,990	4,891	7,316	7,532
Personnel, FTE month December *	4,743	4,875	4,711	7,135	7,330

*) Figures for years 2023-2019 are presenting continuing operations. The Fazer Food Services business sold in 2020 is not included in continuing operations for 2020 - 2019. The Russian operations are not included in continuing operations for 2022 - 2021. In the balance sheet assets related to discontinued operations are reported for the years 2023, 2022 and 2019 as 'Assets held for sale' and liabilities as 'Liabilities related to assets held for sale'.
**) 2023 proposal by the Board of Directors to the annual general meeting.

CALCULATION OF KEY FIGURES

Return on equity (%) = $\frac{\text{Result for the period}}{\text{Equity (on average)}}$

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

Gearing (%) = $\frac{\text{Net debt}}{\text{Equity}}$

Earnings per share = $\frac{\text{Result for the period attributable to equity holders of the parent}}{\text{Weighted average number of shares outstanding}}$

Return on capital employed (ROCE) (%) = $\frac{\text{Operating result}}{\text{Equity + interest-bearing debt (on average)}}$

EBITDA = Operating result + depreciations, amortisations and impairments

Operating result = Net sales + other operating income - expenses - depreciations, amortisations and impairments +/- share of result in associated companies and joint ventures

Items affecting comparability (IAC) = Income and expenses affecting comparability between periods due to their unusual nature, size and / or incidence. IAC consists of e.g. results from restructuring activities or legal proceedings, capital gains and losses on disposals, impairment charges, changes in fair values of open electricity derivatives, acquisition costs and certain business exit related costs.

Net debt = Interest-bearing debt - cash and cash equivalents

CONSOLIDATED STATEMENT OF INCOME

MEUR	Notes	2023	2022
Continuing operations			
Net sales	4	**1,170.1**	**1,122.2**
Other operating income	5.1	10.5	14.7
Materials and services	5.2	-465.9	-453.8
Employee benefits expenses	5.3	-298.5	-294.3
Depreciation, amortization and impairment	9, 10, 11	-204.6	-67.0
Other operating expenses	5.4	-292.5	-279.3
Operating result		**-80.9**	**42.6**
Financial income and expenses	6	-4.3	-4.4
Result before income tax		**-85.2**	**38.2**
Income tax	7.1	-0.7	-4.0
Result for the period, continuing operations		**-85.9**	**34.2**
Owners of the parent company		-86.7	33.7
Non-controlling interests		0.8	0.5
Result for the period, discontinued operations	23	**-0.7**	**-18.0**
Owners of the parent company		-0.5	-12.4
Non-controlling interests		-0.1	-5.6
Result for the period		**-86.5**	**16.2**
Owners of the parent company		-87.2	21.3
Non-controlling interests		0.7	-5.1
Earnings per share for result attributable to owners of the parent	8		
Basic and diluted, continuing operations, euro		-12.86	5.02
Basic and diluted, discontinued operations, euro		-0.08	-1.85
Basic and diluted, Group total, euro		-12.94	3.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	Notes	2023	2022
Result for the year		**-86.5**	**16.2**
Other comprehensive income			
Items that may be classified to profit or loss			
Cash flow hedges		3.6	-0.8
Translation differences		0.5	-7.4
Income tax relating to these items		-0.7	0.2
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		-0.1	0.7
Fair value adjustments of non-current financial assets		17.9	-
Income tax relating to these items		0.0	-0.2
Other comprehensive income, net of tax		**21.1**	**-7.4**
Total comprehensive result for the period		**-65.4**	**8.7**
Of which attributable to discontinued operations		-0.8	-9.0
Attributable to			
Owners of the parent company		-66.1	11.1
Non-controlling interests		0.6	-2.4
Total comprehensive income for the period attributable to the owners of the parent company			
Continuing operations		-65.4	17.2
Discontinued operations		-0.6	-6.1
Total comprehensive income for the period attributable to non-controlling interests			
Continuing operations		0.8	0.5
Discontinued operations		-0.2	-2.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill	9	212.5	302.0
Intangible assets	10	66.6	73.3
Property, plant and equipment	11	412.3	465.3
Non-current financial assets	12.2	29.7	11.7
Non-current receivables	12.2	1.7	2.0
Deferred tax assets	7.3	0.5	0.5
Total non-current assets		**723.2**	**854.7**
Current assets			
Inventories	13	109.1	119.0
Trade and other receivables	12.2, 14	146.0	151.8
Income tax receivables		3.3	14.6
Cash and cash equivalents	15	61.6	67.1
Total current assets		**320.0**	**352.6**
Assets held for sale	23	1.9	2.6
TOTAL ASSETS		**1,045.1**	**1,209.9**

MEUR	Notes	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity	16		
Share capital		136.8	134.1
Other reserves		22.0	1.2
Reserve for invested unrestricted equity		140.8	108.2
Retained earnings		375.2	481.6
Equity attributable to the owners of the parent company		**674.8**	**725.2**
Non-controlling interests	26	-	65.5
Total equity		**674.8**	**790.7**
Non-current liabilities			
Interest-bearing liabilities	12.2, 18	69.3	76.2
Deferred tax liabilities	7.3	21.6	30.8
Pension obligations	19	2.1	2.2
Provisions	17	1.8	2.3
Other non-current liabilities		1.9	1.8
Total non-current liabilities		**96.7**	**113.4**
Current liabilities			
Interest-bearing liabilities	12.2, 18	34.3	69.2
Trade and other payables	12.2, 20	235.2	234.1
Income tax liabilities		2.9	1.7
Provisions	17	0.9	0.4
Total current liabilities		**273.3**	**305.4**
Total liabilities		**370.0**	**418.8**
Liabilities related to assets held for sale	23	0.3	0.4
TOTAL EQUITY AND LIABILITIES		**1,045.1**	**1,209.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent company							
MEUR	Share capital	Other reserves	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2022	**134.1**	**1.9**	**108.2**	**-18.5**	**579.6**	**805.3**	**67.9**	**873.2**
Result for the period					21.3	21.3	-5.1	16.2
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		-0.9				-0.9		-0.9
Transferred to inventories, net of taxes		-0.0				-0.0		-0.0
Remeasurement on defined benefit plan, net of taxes					0.6	0.6		0.6
Translation differences				-10.1		-10.1	2.7	-7.4
Comprehensive result for the period	**-**	**-0.7**	**-**	**-10.1**	**21.9**	**11.1**	**-2.4**	**8.7**
Transactions with owners in their capacity as owners								
Dividends provided for or paid					-91.2	-91.2		-91.2
Balance at 31 December 2022	**134.1**	**1.2**	**108.2**	**-28.6**	**510.2**	**725.2**	**65.5**	**790.7**
Result for the period					-87.2	-87.2	0.7	-86.5
Other comprehensive income								
Fair value adjustments of derivatives, net of taxes		6.4				6.4		6.4
Transferred to the income statement, net of taxes		-3.4				-3.4		-3.4
Transferred to inventories, net of taxes		-0.1				-0.1		-0.1
Fair value adjustments of non-current financial assets		17.9				17.9		17.9
Remeasurement on defined benefit plan, net of taxes					-0.1	-0.1		-0.1
Translation differences				0.5		0.5	-0.1	0.5
Comprehensive result for the period	**-**	**20.7**	**-**	**0.5**	**-87.3**	**-66.1**	**0.6**	**-65.4**
Transactions with owners in their capacity as owners								
Share issue and related expenses, net of taxes	2.7		32.6			35.2		35.2
Acquisition of share of non-controlling interest					0.5	0.5	-66.1	-65.6
Dividends provided for or paid					-20.1	-20.1		-20.1
Balance at 31 December 2023	**136.8**	**22.0**	**140.8**	**-28.1**	**403.3**	**674.8**	**-**	**674.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	Notes	2023	2022
Cash flows from operating activities			
Result for the period		-86.5	16.2
Adjustments			
Depreciations, amortisations and impairments	10, 11	205.2	69.1
Income taxes		0.6	4.0
Financial income and expenses	6	4.3	4.0
Non-cash income and expenses		0.1	-2.2
Other non-operating adjustments		-1.6	9.0
Total adjustments		208.6	83.9
Change in working capital			
Decrease (+) / increase (-) in inventories		10.0	-19.6
Decrease (+) / increase (-) in trade and other receivables		7.8	-8.2
Decrease (-) / increase (+) in trade and other payables		2.3	12.2
Change in working capital		20.2	-15.7
Interest received		2.4	1.7
Interest paid		-4.0	-3.6
Other financial income and expenses, net		-0.1	2.1
Income taxes paid		2.1	-11.9
Net cash from operating activities		**142.7**	**72.7**

MEUR	Notes	2023	2022
Cash flows from investing activities			
Purchases of tangible and intangible assets	10,11	-45.8	-59.9
Proceeds from sale of tangible and intagible assets		4.4	10.9
Business acquisitions	24	-30.4	-205.0
Proceeds from sale of businesses	24	-	112.1
Investments in non-current financial assets		-0.2	-
Proceeds from sale of current financial assets		0.1	26.0
Granted loans		-0.0	-0.0
Repayment of loan receivables		0.1	0.1
Net cash from investing activities		**-71.9**	**-115.8**
Cash flows from financing activities			
Repayment of non-current debt		-10.0	-0.0
Repayment of current debt		-40.9	-67.3
Proceeds from current debt		5.0	57.9
Net cash flows from commercial papers		3.0	-2.0
Repayment of leasing debt		-13.2	-13.7
Dividends paid		-20.1	-91.2
Net cash from financing activities		**-76.3**	**-116.3**
Net increase (+) decrease (-) in cash and cash equivalents		**-5.5**	**-159.5**
Cash and cash equivalents at the beginning of the period	15	67.2	226.5
Exchange rate difference		0.1	0.2
Cash and cash equivalents at the end of the period	**15**	**61.7**	**67.2**

Figures in consolidated statement of cash flows include both continuing and discontinued opearations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Oy Karl Fazer Ab is a Finnish limited liability company organised 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. The operations of the Group are organised into the following business areas: Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods. Fazer operates in eight countries and exports to around 40 countries.

The Board of Directors of Oy Karl Fazer Ab approved these financial statements for issue on February 16, 2024. 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 Accounting Standards (IFRS Accounting Standards), including IAS and IFRS Accounting Standards as well as the SIC and IFRIC interpretations in effect on December 31, 2023. The term 'IFRS Accounting 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. Exceptions are the financial assets and liabilities at fair value through the income statement, the assets and liabilities arising from pension plans, and assets held for sale which are measured at the lower of the carrying amount and the fair value less costs to sell.

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, except for note 22 Related party transactions which is in thousand euro and have been rounded from exact numbers, and therefore the sum of numbers presented individually can deviate from the total sum. Key figures have been calculated using exact numbers.

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 the majority of voting rights 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 by using the acquisition method. Accordingly, the consideration transferred, and the identifiable assets and liabilities assumed in the acquired company are measured at fair value at the date of the acquisition. For the amount by which the purchase price, possible part belonging to the non-controlling interests and possible earlier acquired share all together 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 in the consolidated income statement. 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 recognised 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 unrealised 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 unrealised internal margins have been eliminated in the consolidated financial statements. The 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, concerning changes in ownership in subsidiaries, are recorded in equity when the parent company remains in control of the subsidiary. When the Group loses the control in a subsidiary, the remaining investment is re-measured at its fair value and the change in the carrying amount is recognised 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 is 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 the carrying amount and fair value less cost of disposal. Recognition of depreciations and amortisations ceases at the timing of the classification.

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 and 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 as at the exchange rate of the end of the reporting period.

REVENUE RECOGNITION

Fazer manufactures and sells a range of bakery, biscuit, confectionery and plant-based products in the wholesale and retail market. Revenue from sales of goods is recognised when the control and the risks and benefits of the ownership of the goods 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 criterions for acceptance have been satisfied. Fazer Confectionery includes also Retail business, which consist of cafés and bakery shops that are open for everyone. These sales points offer chocolate, confectionary and plant-based products in addition to bakery and other cafe products and the income is generated when a customer pays for the product.

When calculating net sales, sales revenue is measured as gross sales and adjusted for indirect taxes and discounts. Revenue is recognised to the amount to which the Group expects to be entitled in exchange for goods. Revenue is recognised in point of time.

The contracts concluded by Fazer include a range of variable price components, such as volume discounts and bonuses. Revenue from these types of contracts is 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 a significant reversal will not occur. A contract liability is recognised for expected volume discounts into the same period when the corresponding revenue is recognised. Payment terms are typical to the business and contracts do not include significant financing components.

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 capitalised 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. Capitalised development costs include all directly attributable material, employee benefit and testing costs necessary to prepare the asset to be capable of operating in the manner intended. Research and development costs that were initially recognised as an expense are not to be capitalised at a later date.

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

INCOME TAXES

Income taxes recognised 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 recognised 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 recognised to the extent that it is probable that it can be utilised 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 calculated as the excess of acquisition cost over the fair values of identified assets and liabilities acquired. Goodwill typically represents the value of the synergies, business knowledge and the acquired market share. Goodwill is not amortised but tested for impairment annually and whenever there is an indication of impairment. Goodwill is recognised at its original acquisition cost, less impairment losses.

For the purposes of assessing impairment, assets are grouped at the cash generating unit level (CGUs). In goodwill impairment testing, the recoverable amounts are based on value-in-use determined by discounted estimated future net cash flows expected to be generated by the cash generating unit. The discount rate used is pre-tax and reflects the time value of money and asset-specific risks.

An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. Impairment loss is immediately recognised as an expense. Impairment losses related to goodwill are not subsequently reversed.

INTANGIBLE ASSETS

Intangible assets include trademarks, customer relationships, immaterial rights, other capitalised development expenses, i.e. patents, copyrights, licenses and software. An intangible asset is recognised 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 amortised on a straight-line basis over the expected useful lives of the asset. The intangible assets with indefinite useful lives are not amortised 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 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, amortisation 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 acquisition. Ordinary maintenance and repair costs are expensed as incurred. The cost of significant renewals of the real estates are capitalised 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 recognised 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 available 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 of tangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If this 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 income statement 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 emerge. Such grants are presented in other operating income.

LEASES

The Group leases mainly properties as well as different types of machines and equipment for use in its business operations. Property leases are mainly related to restaurants and cafes. The leasing period for these are generally 3 to 5 years. A wide variety of machines and equipment has been acquired with leases and the most significant are power plants, cars and production machinery. Lease periods for power plants are approximately 20 years, for cars generally 3 to 4 years and for production machinery 5 to 10 years.

Leases are recognised as a right-of-use asset and a corresponding liability at the date of which the 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 the 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, among others, laptops and other low value IT equipment as well as low value machinery as low value assets. These are not recognised into the balance sheet, but payments are recognised on a straight-line basis as an expense in the income statement. The Group separates the non-lease components, such as service components, and expenses them as they incur.

Lease liability is initially measured at the amount of net present value of 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
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 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
d) restoration costs

Contingent rents

Some of the property leases contain variable payment terms that are linked to sales generated from the store or other variable element, like the number of rented pallets placed in warehouses. 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 a newly established store or according to other general practice. Changes in conditions regarding variable lease payments are recognised in the income statement in that period in which the change of the condition in the leasing contract has taken place. Variable lease payments that depend on sales are recognised in the income statement in the period in which the condition that triggers those payments occurs.

A part of the payments in relation to power plants is considered variable. These payments are generally linked to the capacity utilisation of the power plant and depend, among other things, 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.

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:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

Financial liabilities are classified either at amortised cost or fair value through profit or loss.

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 assets

Financial assets, including derivatives, are initially recognised at fair value.

Financial assets recognised at amortised cost are measured using the effective interest method, deducted by transaction costs. Other financial assets are measured at their fair value either through financial items in the income statement or loss or through other comprehensive income, based on the classification above.

Financial asset measured at amortised 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 and changes in the fair value are included in financial items in the income statement 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 regularly.

Financial liabilities

Financial liabilities are initially recognised at fair value. Loans are measured at amortised cost using the effective interest method. Other financial liabilities are valued at their fair value through profit or loss.

Financial liabilities measured at amortised 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 as interest expenses in the income statement 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 recognised in financial items in the income statement. Financial liability is derecognised when the debt has 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 in financial items in the income statement 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

Derivatives are initially recognised at fair value when Fazer enters into a derivative contract. Subsequently financial assets and liabilities arising from derivatives are valued at fair value at the end of each reporting period, either in the income statement or through other comprehensive income. All matured derivatives are recognised in the Income statement.

The result of electricity derivatives, entered into to hedge electricity expenses, are included in electricity expenses in other operating expenses.

The fair value measurement of derivative instruments is, 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-upon 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. Changes in the fair value of derivatives relating to purchases or sales are recognised in the in other operating expenses or other income. The Group does not have material embedded derivatives.

Fazer has changed the accounting for electricity derivatives in 2023. Previously the changes in fair value of open electricity derivatives have been presented in financial items and after the change of the accounting policy they are included in energy costs in other operating costs. Comparable periods have been restated correspondingly and thus, EUR 3,3 million has been reclassified from financial items as a deduction to energy costs in to other operating expenses.

Hedge accounting

Hedge accounting is applied on commodity hedging transactions entered into in relation to certain highly probable raw material purchases. Hegde accounting is applied on foreign currency hedging transactions entered into in relation to certain highly probable sales and purchase transactions denominated in foreign currencies. Hedging of commodity and foreign currency transactions are defined as cash flow hedging. A hedging relationship is recognised and documented when an economic relationship exists between the hedging instrument and the hedged item, and the critical terms of the hedging instrument are similar to the critical 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 fair value portion of hedges is allocated to hedged raw material, work in progress and finished goods in proportion to how much hedged raw material is included in them at the period end closing.

At the end of each reporting period, the market value of open hedge accounted derivatives is recognised in the other comprehensive income. The ineffective portion is recognised immediately in the financial items in the income statement if the fair value change of the component designated as a hedging instrument exceeds the fair value change of the hedged item in absolute terms. 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.

Fazer designates the spot component of foreign currency forward contracts as hedging instrument in cash flow hedging relationships. The forward element of foreign currency forward contracts is recognised as cost or income without deferral in the financial items in the income statement. Gains and losses from hedge accounted raw material derivatives are recognised in the material costs, inventory values and fair value reserve in equity.

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 the probability of neglecting the payments and the degree of the losses. Judgement is used in making these assumptions. 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.

Exchange rate differences arising from trade receivables are recognised in other operating income or 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 maturity of three months or less and low risk of any change in the value. 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 realisable value. Cost is determined using the FIFO (first-in-first-out) method or, alternatively, weighted average cost. The cost of finished goods and work-in-progress comprise direct purchase and manufacturing costs, other direct costs and a proportion of the related production

overheads. The cost of finished goods and work in progress comprises raw materials, direct labour, depreciation, other direct costs and related production overheads. Net realisable 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 LIABILITES

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 restructuring is recognised when a detailed formal plan has been established, and when there is a valid expectation relating to those affected that the plan will be carried out.

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 recognised 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 recognised 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 the fair value of plan assets.

Remeasurements, including actuarial gains and losses, are recognised to equity through other comprehensive income when incurred and are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in the income statement at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs or termination benefits are recognised. 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 recognised in financial income or expenses. The net interest is determined by applying the discount rate used to determine the present value of the 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 RESULT

According to the definition used by the Group, Operating result is the net amount arising from adding other operating income and the share of results in associates to net sales, deducting cost of sales corrected for changes in inventories and 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 result in case they originate from operative business items; otherwise, they are included in financial items.

DIVIDENDS

Dividends are recognised as liabilities after the Annual General Meeting of Shareholders approves the dividend per share.

2.4 Adoption of new and amended accounting standards

CHANGES IN ACCOUNTING STANDARDS

Starting from 1 January 2023, Fazer has applied the following new standards and amendments:

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendment clarifies how deferred taxes should be recognised in a single transaction such as a lease.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies. The amendment clarifies in which situations a change in an accounting policy is material and should be disclosed.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendment clarifies the definition and application of an accounting estimate.

Amendments to IAS 12, International Tax Reform—Pillar Two Model Rules. Pillar 2 is the OECD's initiative to address tax challenges related to the digitalisation of the global economy by introducing Global Anti-Base Erosion (GloBE) rules and a related 15% global minimum tax. The European Union's Council Directive (EU) 2022/2523 entered into force in December 2022, according to which the EU Member States shall transpose the GloBE rules into their domestic law by 31 December 2023. According to the IASB's published amendments to IAS 12, Fazer has applied the exception provided in IAS 12 paragraph 4A and has neither recognised nor disclosed information about deferred tax assets or liabilities related to Pillar 2 income taxes. More details about the effects in note 7.4.

IFRS 17 Insurance Contracts is not expected to have a material effect on Fazer Group's financial statements.

NEW AND FORTHCOMING ACCOUNTING STANDARDS AND INTERPRETATIONS

New and amended standards or interpretations that were issued by the balance sheet date and effective from 1 January 2023 or later are not expected to have a material impact on Fazer Group's result, financial position or the presentation of the financial statements.

Amendments to IAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify the classification of a liability as current or non-current in a situation where an entity has a right to defer its settlement for at least twelve months. In accordance with the amended guidance, a liability that is due within 12 months after the reporting date should be presented as non-current if the entity has a right to extend it for at least 12 months after the reporting date. In this case, the liability is classified as non-current on reporting date even regardless of the probability or intention of the management to settle it within the next 12 months. Similarly, a liability is classified as non-current even if the right to extend it for at least 12 months is conditional and the entity is not expected to meet these conditions provided that the covenant assessment is taking place only after the end of the reporting period. The amendment becomes effective 1 January 2024 and is not estimated to have a significant impact on Fazer's reporting.

Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements.

The amendment instructs to provide more information about the use of supplier financing arrangements, their scope, and the effect on the reported figures. Fazer has supplier financing arrangements with certain financiers and its suppliers. In these arrangements, the term of payment for Fazer's trade payables is extended, and the suppliers

receive payment faster than under normal terms of payment. The amendment becomes effective 1 January 2024 and is not estimated to have a significant impact on Fazer's reporting.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
The amendment clarifies the accounting and measurement of a sale and leaseback transaction in particular related to the value of right of use asset that the seller-lessee measures based on the economic interest retained. The amendment is not expected to have a material impact on Fazer.

Amendments to IAS 21, Lack of Exchangeability
The amendment provides guidance for identifying a situation where a currency cannot be considered freely exchangeable and instructs in these situations to take this into account in the exchange rate used in reporting and to provide additional information on the matter. The amendment becomes effective 1 January 2025 and is not estimated to have a significant impact on Fazer's reporting.

3. ESTIMATES AND ASSUMPTIONS REQUIRING MANAGEMENT JUDGEMENT

Preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the valuation of the reported assets and liabilities, as well as other information, such as contingent assets and liabilities and the recognition of income and expenses in the statement of income. Although these continuously evaluated judgements, estimates, and assumptions are based on management's past experience and best knowledge of current events and actions, as well as expectations of future events, actual results may differ from the estimates. For Fazer, the most significant judgements, estimates and assumptions made by management relate to the following areas.

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 the 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. 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.

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment.
The 5-year cash flow projections used in the value-in-use calculations for impairment testing contain various judgements and estimations, which are impacted by future development, such as net sales growth, development of the profitability and changes in the discount rate. Markets and turnover are expected to remain relatively normal in Bakery and Confectionery. In Fazer Lifestyle Foods there are uncertain short-term negative implications, which are expected to level off in the long-term. Estimated development of profits are based on the historical results and expected market trends for each business and is affected by productivity, innovations, energy, and raw material prices.

Additional information on, e.g. the parameters used in the calculations are provided in Note 9.

VALUATION AND ESTIMATE OF USEFUL LIFE

The valuation and estimated useful life of property, plant and equipment are based on future information and will always involve a degree of uncertainty. Especially in a situation where the Group is planning major changes in its manufacturing structure and/or number of production sites, there will be extra focus on the assessments. Any identified changes to assessments can be carried out only after a decision to execute such a plan has been made. The estimated useful lives of property, plant and equipment are reviewed at each closing date.

CRITICAL JUDGEMENTS IN DETERMINING LEASE TERM

Property leases often includes terms such as options to extend the lease term and/or sanctions when ending leases early. Likewise, leases concerning production machinery often include terms in relation to redeeming the machinery and/or prolonging the lease period. Management assesses at the commencement date of the lease whether the Group has an economic incentive to exercise the different terms in the leases, and if the exercise of them is considered probable, they are considered when determining the leasing liability. All facts and conditions creating an economic incentive for the Group are considered. The validity of this assessment is reassessed upon the occurrence of either a significant event or a significant change in circumstances which affect this estimation.

NET REALISABLE VALUE OF INVENTORIES

The valuation of inventories requires management to assess the estimated selling price, estimated cost of completion and estimated cost to make the sale when calculating net realisable value. Estimated cost of completion and estimated cost to make the sale are largely made based on historical experience as the production costs are quite stable and well-known. Estimated sales prices are to a large extent made based on already agreed sales prices of similar products.

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 length. Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. Retirement benefit obligations are disclosed in Note 19.

RECOGNITION AND MEASUREMENT OF PROVISIONS

At the moment the most significant provisions in the statement of financial position relate to restoration of leased premises. It is in the nature of provisions that they involve a certain degree of uncertainty. The judgement in relation to restoration provisions mainly relate to the estimated amounts of restoration costs. The provision is made separately for each lease agreement and management uses their past experience from restorations when preparing new or updating old estimates of restoration provisions. Restoration provisions arising from individual leases are generally not material from the Group perspective. More details about provisions in general is provided in Note 17.

RECOGNITION OF DEFERRED TAX ASSETS

Deferred tax assets for tax losses carried forward are recognised to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Fazer uses business plans and budgets for subsidiaries in order to assess whether deferred taxes arising from losses forward can be recognised. The maximum amount of deferred tax asset that is recognised corresponds to the amount that can be utilised during the business plan time period. The recognised deferred tax assets are re-assessed in connection with year-end reporting. More details regarding recognised and unrecognised deferred tax assets in relation to losses carried forward is provided in Note 7.2.

ACCRUALS

All types of accruals involve a certain estimate uncertainty. Accruals are calculated on the basis of assumptions at the time of when it is made.

Sales contracts include variable price components which are not presented directly in the financial statements as they are included as deductions in net sales. Variable sales price components which are accrued are reported as a current liability and is one of the largest items amongst accruals. Discount and bonus structures can be complex and both of them calculated on the basis of various matrices and agreements. There have been no material variances between accrued and actual variable sales price reductions in the past few years.

4. NET SALES

Fazer Group has divided into three Business Areas. Revenue recognition principles are the same in all business areas (at point in time).

FAZER BAKERY

Fazer Bakery crafts tasty and versatile breads as well as delectable, sweet pastries and cakes in packed, frozen, and freshly baked shop-in-shop ranges. Our large bakeries are located in Finland, Sweden, Lithuania and Latvia, complemented by a network of shop-in-shop bakeries in Finland and Estonia. We sell bakery products to over 20 countries, but have the strongest foothold with local, well-known, and cherished brands such as Oululainen in Finland, Skogaholm in Sweden, and Druva and Gardesis in the Baltics. The bakery business is characterised by locality.

FAZER CONFECTIONERY

Fazer is the leading confectionery company in Finland with strong market positions in Sweden, the Baltic countries and global travel retail. All confectionery production is located in Finland and products are sold to over 40 countries. The competition in the confectionery business is more focused than in the bakery business. The Confectionery Business Area also includes Fazer's retail business, that is our Fazer Cafés in Finland and the Gateau bakery shops in Finland and in Sweden.

FAZER LIFESTYLE FOODS

In year 2017, Fazer Lifestyle Foods was established and is the newest addition to Fazer's Business Areas. It has its strongest positions in Finland and Sweden and a growing presence in other Nordic countries. The production is located in Finland and Sweden. As the product portfolio of Fazer Lifestyle Foods offers quite a variety, also the competitive landscape is fragmented. Especially within non-dairy there are some large, even global competitors, but the fast development of the non-dairy segment has spurred many companies to explore the growing market.

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.

Net sales by business area

MEUR	2023	2022
Fazer Bakery	462.6	432.9
Fazer Confectionery	505.0	461.4
Fazer Lifestyle Foods	237.0	259.7
Common Operations	20.7	19.9
Internal sales	-55.2	-51.7
Total	**1,170.1**	**1,122.2**

Net sales by country

MEUR	2023	2022
Finland	746.1	695.7
Sweden	269.1	268.1
Estonia	29.4	28.0
Latvia	22.3	18.8
Lithuania	19.9	17.3
Denmark	17.7	17.8
Norway	14.9	14.8
Other countries	50.7	61.7
Total	**1,170.1**	**1,122.2**

Fazer has two major customers for which the value of net sales is over ten percentage of the Group's net sales. The net sales in question is reported in net sales of all of the business areas.

5. OTHER OPERATING INCOME AND EXPENSES

5.1 Other operating income

MEUR	2023	2022
Gain from sales of non-current assets	1.7	8.5
Rents	0.5	0.9
Subsidies received	2.1	1.0
Other	6.2	4.4
Total	**10.5**	**14.7**

5.2 Materials and services

MEUR	2023	2022
Purchases during the period	444.7	463.7
Change in inventory (- increased /+ decreased)	10.0	-22.8
External services	11.2	13.0
Total	**465.9**	**453.8**

5.3 Employee benefit expenses

MEUR	2023	2022
Wages and salaries	238.0	238.5
Pension costs - defined contribution plans	36.4	36.5
Pension costs - defined benefit plans	-0.0	-0.0
Other employee benefit expenses	2.0	1.8
Social security costs	22.0	17.5
Total	**298.5**	**294.3**

Personnel by business area, average FTE for the year

	2023	2022
Fazer Bakeries	2,320	2,254
Fazer Confectionery	1,641	1,695
Fazer Lifestyle Foods	471	618
Common Operations	312	308
Total	**4,743**	**4,875**

5.4 Other operating expenses

MEUR	2023	2022
Rents	26.5	24.2
Energy	62.8	48.3
Production maintenance	57.2	58.5
ITC	14.0	15.3
Freight and other transport	58.1	58.5
Marketing	31.4	33.2
Other	42.5	41.3
Total	**292.5**	**279.3**

Audit fees	2023	2022
PricewaterhouseCoopers		
Audit	0.7	0.6
Tax services	-	0.0
Other services	0.2	0.2
Total	**0.8**	**0.7**

Expenses reported as 'Other' include amongst other costs related to consulting and other services, travel, non-statutory employee, and other administration.

6. FINANCIAL INCOME AND EXPENSES

MEUR	2023	2022
Interest income and expenses		
Interest expenses		
From borrowings measured at amortised cost	-1.7	-1.0
From financial liabilities measured at fair value through the income statement	-0.1	-0.1
From leasing liabilities	-1.1	-0.9
Net-interest from defined benefit plans	-0.1	-0.0
Other items	-0.9	-0.9
Interest income		
From financial assets measured at fair value through the income statement	0.7	0.9
Other items	1.8	0.6
Interest income and expenses, net	**-1.3**	**-1.7**
Foreign exchange rate gains and losses		
Currency derivatives	2.5	-3.0
Other	-4.9	0.7
Total	**-2.4**	**-2.3**
Other items		
Other financial income	0.0	0.1
Other financial expenses		
Fees and expenses related to interest bearing debt	-0.6	-0.5
Other financing expense	-0.1	-0.1
Total	**-0.7**	**-0.4**
Financial income and expenses, total	**-4.3**	**-4.4**

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.

Interest expenses arise from foreign exchange transactions, commercial paper funding, loans from financial institutions and other financing transactions. 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, derive from assets and liabilities measured at amortised cost.

7. TAXES

7.1 Income taxes

MEUR	2023	2022
Income taxes, continuing operations		
Current tax on profits for the year	-10.3	-1.6
Adjustments of current taxes for prior periods	-0.2	-0.0
Total income taxes, continuing operations	**-10.5**	**-1.7**
Deferred taxes, continuing operations		
Decrease (-) / increase (+) of deferred tax assets	5.5	0.9
Decrease (+) / increase (-) of deferred tax liabilities	4.3	-3.3
Total deferred taxes, continuing operations	**9.8**	**-2.3**
Total income taxes, continuing operations	**-0.7**	**-4.0**

Reconciliation of effective tax rate, continuing operations

MEUR	2023	2022
Profit before tax	**-85.2**	**38.2**
Parent company's tax rate	20.0 %	20.0 %
Tax computed at parent company's tax rate	17.0	-7.6
Effect of different tax rates in foreign subsidiaries	0.2	0.6
Effect of non-deductible expenses	-0.4	-1.3
Effect of income not subject to tax	0.0	1.4
Goodwill impairment	-17.5	-
Utilisation of previously unrecognised tax losses carried forward	0.0	1.6
Recognition of previously unrecognised tax losses carried forward	-	1.9
Unrecognised taxes on losses carried forward	-0.7	-1.0
Other adjustments of deferred taxes	-0.0	0.2
Tax for previous financial periods	-0.2	-0.0
Other items	0.8	0.3
Taxes in income statement	**-0.7**	**-4.0**
Effective tax rate (%)	**0.8**	**10.5**

Income tax in relation to discontinued operations are presented in note 23.

7.2 Losses carried forward

	Losses carried forward for which deferred tax is recognised		Recognised deferred tax assets	
MEUR	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Expiry after five years	-	0.1	-	0.0
No expiry	6.4	10.5	1.3	2.2
Total	**6.4**	**10.6**	**1.3**	**2.2**

	Losses carried forward for which deferred tax is unrecognised		Unrecognised deferred tax asset	
MEUR	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Expiry within five years	0.1	0.2	0.0	0.0
Expiry after five years	0.1	0.0	0.0	0.0
No expiry	33.8	31.4	7.0	6.5
Total	**34.1**	**31.6**	**7.0**	**6.5**

7.3 Deferred tax assets and liabilities

MEUR	1 Jan 2022	Recognised in income statement	Recognised in result for discontinued operations	Recognised in other comprehensive income	Business acquisitions and disposals	Exchange rate differences	31 Dec 2022	Recognised in income statement	Recognised in other comprehensive income	Reclassification	Exchange rate differences	31 Dec 2023
Deferred tax assets												
Intangible assets	7.7	-1.0	-	-	-	-	6.7	-0.1	-	-	-	6.7
Tangible assets	11.2	0.4	-	-	-0.0	-0.0	11.5	6.2	-	-	0.0	17.7
Inventory	0.3	0.0	-	-	-0.3	0.0	0.1	0.0	-	-	-0.0	0.1
Employee benefits	0.9	0.2	-	-0.2	-0.1	-0.0	0.8	0.1	0.0	-	0.0	0.9
Provisions	0.8	-0.6	-	-	-	-0.0	0.2	0.1	-	-	-0.0	0.4
Tax losses carried forward	0.4	1.9	-	-	-	-0.1	2.2	-0.8	-	-	-0.0	1.3
Other items	1.1	-0.0	-	-	-0.7	0.1	0.4	0.0	-	-	-	0.4
Total	**22.4**	**0.9**	**-**	**-0.2**	**-1.1**	**-0.1**	**21.9**	**5.5**	**0.0**	**-**	**-0.0**	**27.5**
Netting of deferred taxes	-21.9						-21.4					-27.0
Total	**0.5**						**0.5**					**0.5**
Deferred tax liabilities												
Intangible assets	5.6	-1.6	-	-	7.4	-0.3	11.1	0.7	-	3.3	-0.0	15.1
Tangible assets	36.1	5.0	-1.6	-	-1.3	0.2	38.3	-4.4	-	-3.3	-0.0	30.6
Hedge reserve	0.2	-0.0	-	-0.2	-	-	0.0	-	0.7	-	-	0.7
Inventory	2.5	-0.5	-	-	0.2	0.0	2.2	-0.2	-	0.0	-	2.1
Employee benefits	0.1	0.1	-	-	-	-0.0	0.2	-0.1	-0.0	-	0.0	0.1
Provisions	-	-0.0	-	-	-	-	0.0	-0.0	-	-	-	0.0
Other items	0.0	0.3	-	-	0.1	-0.0	0.4	-0.4	-	-	-0.0	-
Total	**44.4**	**3.2**	**-1.6**	**-0.2**	**6.4**	**-0.1**	**52.2**	**-4.3**	**0.7**	**-**	**-0.1**	**48.6**
Netting of deferred taxes	-21.9						-21.4					-27.0
Total	**22.5**						**30.8**					**21.6**

Fazer have adopted the IAS 12 amendment in relation to deferred tax assets and liabilities arising from a single transaction 2023. As required in this amendment the opening balance 1 January 2022 of deferred tax asset and liabilities arising from tangible assets have been increased both by EUR 10.8 million.

7.4 Pillar Two income taxes

Fazer Group is within the scope of the OECD Pillar Two model rules. Under the legislation, Fazer is liable to pay a top-up tax if Globe effective tax rate per jurisdiction is below 15% minimum rate. Pillar Two legislation has been enacted in Finland and will come into effect from 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, Fazer has no related tax exposure. Fazer has applied the temporary mandatory relief to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

Pillar Two legislation has been enacted or substantively enacted in most of the jurisdictions in which the Group operates. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. If the Pillar Two rules would be applicable in 2023, the profits of the Group would not be materially impacted by the Pillar Two rules.

8. EARNINGS PER SHARE

	2023	2022
Number of shares		
Weighted average number of shares outstanding	6,739,834	6,706,239
Diluted weighted average number of shares outstanding	6,739,834	6,706,239
Earnings per share from result for the period attributable to equity holders of the parent, continuing operations, MEUR	**-86.7**	**33.7**
Result for the period attributable to equity holders of the parent, continuing operations		
Basic, continuing operations, euro	-12.86	5.02
Diluted, continuing operations, euro	-12.86	5.02
Earnings per share from result for the period attributable to equity holders of the parent, continuing operations, MEUR	**-0.5**	**-12.4**
Result for the period attributable to equity holders of the parent, discontinued operations		
Basic, discontinued operations, euro	-0.08	-1.85
Diluted, discontinued operations, euro	-0.08	-1.85
Result for the period attributable to equity holders of the parent, Group total, MEUR	**-87.2**	**21.3**
Earnings per share from result for the period attributable to equity holders of the parent, Group total		
Basic, Group total, euro	-12.94	3.17
Diluted, Group total, euro	-12.94	3.17

9. GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

	31 December 2023		31 December 2022	
MEUR	Goodwill	Trademarks	Goodwill	Trademarks
Fazer Bakery	9.6	-	9.6	-
Fazer Confectionery	81.1	18.5	81.2	18.5
Fazer Lifestyle Foods	121.8	16.4	211.3	16.4
Total	**212.5**	**34.9**	**302.0**	**34.8**

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 the Group's strategy and long-term financial plan. All cash flow projections reflect the past performance of the business operations and management expectations for future development considering growth, demand, and price estimates by market research institutions when available. Furthermore, the long-term plans for specific CGU are used in sales and profit estimates. The terminal growth rate used in projections is based on management's assessment on conservative long-term growth, based on inflation and growth of the operating market. Growth rate 1,7% is used for Fazer Bakery and Fazer Confectionery and 3% for Fazer Lifestyle foods.

The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) as defined by Fazer for each CGU, in which company-specific risk premiums are considered. The WACCs of the cash generating units were following: Fazer Bakeries 10,2% (9,7%), Fazer Confectionery 10,0% (10,0%) and Fazer Lifestyle Foods 9,6% (9,5%). The components of WACC are risk-free long-term government bond rates, market risk premiums and industry risk premiums, cost of debt, target capital structure and country-specific risks.

Fazer has estimated the effects of uncertainty that the increased geopolitical tensions, the rapidly changing macroeconomic environment and inflationary pressures have on future cash flows in the goodwill impairment tests.

The annual impairment tests for goodwill and trademarks with an indefinite useful life were performed for Fazer's cash generating units, i.e. Fazer Bakeries, Fazer Confectionery and Fazer Lifestyle Foods at the end of September. Fazer compared the recoverable amount of each business against the carrying amounts to define whether there were any indications of goodwill impairments. Based on the tests, there was no need to record an impairment for goodwill or trademarks for Fazer Bakeries or Fazer Confectionery but Fazer Lifestyle Foods' test resulted a goodwill impairment of EUR 86.7 million. The impairment resulted primarily from longer than expected ramp-up of the Xylitol factory and the slowdown of growth in the consumption of plant-based drinks, as well as increased production capacity in Europe.

The impairments are included in depreciation, amortisation and impairment as well as in items affecting comparability.

Sensitivity analysis

The sensitivity analyses have been carried out for the valuation of the recoverable amounts per each CGU by making downside scenarios for the key assumptions used. For Fazer Bakery and Fazer Confectionery, no reasonable possible change in the key assumptions would cause the carrying amount of the CGU to exceed the recoverable amount.

Additional goodwill impairment testing of cash generating unit Fazer Lifestyle Foods

In December, Fazer's Xylitol business was transferred from Fazer Lifestyle Foods to Other operations in order to ensure the right resourcing and competences for ramping up production and focus on accelerating the business to its full capacity. As a part of Fazer's Xylitol business transfer, Group performed impairment test for Fazer Lifestyle Foods and there were no indications of goodwill impairments. Due to changes in reporting structure EUR 0.8 million of the goodwill was written down based on the impairment test performed.

10. 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 2022	**158.7**	**3.7**	**48.1**	**60.0**	**0.0**	**270.5**
Business acquisitions	154.8	16.8	20.8	-	-	192.4
Business disposals	-2.9	-	-0.3	-2.3	-0.0	-5.5
Additions	-	-	0.0	1.4	1.0	2.4
Disposals	-	-	-	-3.7	-	-3.7
Reclassifications	-	-	0.2	0.1	-0.0	0.3
Exchange rate differences	-8.6	-1.0	-2.3	0.2	0.0	-11.7
Cost at 31 Dec 2022	**302.0**	**19.5**	**66.5**	**55.7**	**1.0**	**444.6**
Additions	-	-	-	0.1	1.8	1.8
Disposals	-	-	-	-0.2	-	-0.2
Reclassifications	-	-	-	0.3	-	0.3
Exchange rate differences	0.4	0.0	0.1	-0.0	0.0	0.5
Cost at 31 Dec 2023	**302.4**	**19.5**	**66.6**	**55.9**	**2.8**	**447.1**
Accumulated amortisations and impairment losses at 1 Jan 2022	**-**	**-2.0**	**-9.3**	**-54.8**	**-**	**-66.2**
Business disposals	-	-	0.2	2.2	-	2.5
Amortisations	-	-4.4	-2.2	-1.7	-	-8.3
Amortisations on disposals and reclassifications	-	-	-	2.5	-	2.5
Exchange rate differences	-	0.4	0.1	-0.2	-	0.2
Accumulated amortisations and impairment losses at 31 Dec 2022	**-**	**-6.1**	**-11.2**	**-52.0**	**-**	**-69.4**
Amortisations	-	-4.8	-2.2	-1.7	-	-8.7
Impairments and reversal of impairments	-87.5	-	-	-	-	-87.5
Amortisations on disposals and reclassifications	-	-	-	0.2	-	0.2
Exchange rate differences	-2.4	-0.2	-0.1	0.0	-	-2.6
Accumulated amortisations and impairment losses at 31 Dec 2023	**-89.9**	**-11.1**	**-13.5**	**-53.5**	**-**	**-168.0**
Carrying amount						
31 December 2023	**212.5**	**8.4**	**53.0**	**2.3**	**2.8**	**279.1**
31 December 2022	302.0	13.3	55.2	3.6	1.0	375.3

11. PROPERTY, PLANT AND EQUIPMENT

	Owned assets					Right-of-use assets			
MEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Work in progress	Land and water	Buildings and structures	Machinery and equipment	Total
Cost at 1 Jan 2022	**40.4**	**312.8**	**757.2**	**17.3**	**85.9**	**0.8**	**84.5**	**36.5**	**1,335.5**
Business acquisitions	0.1	5.4	5.3	-	5.1	-	0.5	7.0	23.4
Disposal of businesses	-1.6	-30.9	-89.2	-0.7	-9.7	-0.1	-	-1.2	-133.3
Transferred to assets held for sale	-16.2	-	-	-	-	-	-	-	-16.2
Additions	0.0	5.8	32.0	3.1	16.5	0.0	8.8	3.0	69.3
Disposals	-0.2	-2.6	-13.5	-2.7	-0.5	-0.1	-4.6	-1.6	-25.8
Reclassifications	-	5.5	65.1	0.5	-71.4	-	-	-	-0.4
Exchange rate differences	0.2	1.4	1.0	-0.1	0.8	0.0	-2.0	-0.4	1.1
Cost at 31 Dec 2022	**22.7**	**297.4**	**757.9**	**17.5**	**26.8**	**0.6**	**87.2**	**43.5**	**1,253.7**
Additions	-	1.8	12.1	0.6	29.5	0.1	8.2	6.5	58.8
Disposals	-1.4	-0.8	-17.1	-1.0	-0.8	-	-0.5	-2.0	-23.8
Reclassifications	-	0.5	12.8	0.0	-13.3	-	-0.0	-0.3	-0.3
Exchange rate differences	0.0	0.1	0.2	0.0	-0.0	-	0.2	0.0	0.6
Cost at 31 Dec 2023	**21.3**	**298.9**	**765.9**	**17.0**	**42.3**	**0.7**	**95.1**	**47.8**	**1,289.0**
Accumulated depreciation and impairment losses at 1 Jan 2022	**-7.7**	**-170.3**	**-581.4**	**-10.8**	**-**	**-0.1**	**-54.1**	**-14.8**	**-839.4**
Disposal of businesses	-	12.5	67.7	0.6	-	0.1	-	0.4	81.2
Transferred to assets held for sale	7.7	-	-	-	-	-	-	-	7.7
Depreciations	-	-10.9	-32.4	-1.8	-	-0.0	-8.5	-5.0	-58.6
Depreciations on disposals and reclassifications	-	1.8	12.9	2.6	-	0.0	2.5	0.8	20.6
Exchange rate differences	-	-0.5	-0.8	-0.0	-	-0.0	1.2	0.2	0.0
Accumulated depreciation and impairment losses at 31 Dec 2022	**0.0**	**-167.4**	**-534.0**	**-9.4**	**-**	**-0.1**	**-59.0**	**-18.5**	**-788.4**
Depreciations	-	-11.0	-35.5	-2.0	-	-0.0	-8.0	-5.0	-61.6
Impairments and reversal of impairments	-	-5.0	-41.6	-0.1	-	-	-	-	-46.8
Depreciations on disposals and reclassifications	-	0.8	16.3	1.0	-	-	0.5	1.7	20.3
Exchange rate differences	-	-0.1	0.0	-0.0	-	-	-0.1	-0.0	-0.3
Accumulated depreciation and impairment losses at 31 Dec 2023	**-**	**-182.7**	**-594.9**	**-10.5**	**-**	**-0.1**	**-66.7**	**-21.9**	**-876.7**
Carrying amount									
31 December 2023	**21.3**	**116.2**	**171.0**	**6.6**	**42.3**	**0.6**	**28.5**	**25.8**	**412.3**
31 December 2022	22.7	130.0	223.9	8.0	26.8	0.5	28.2	25.0	465.3

Capital expenditures in property, plant and equipment totalled EUR 44.0 (57.5) million and increases of right-of-use assets to EUR 14.8 (11.9) million. The single largest ongoing project is the investment proposal in a new chocolate factory in Lahti Finland while other investments consisted of several smaller projects relating to production capacity in Fazer Lifestyle Foods and Fazer Bakery. In the comparison period the acquisition of Trensums Food increased the property, plant and equipment with EUR 16.0 million and right-of-use assets with EUR 7.5 million.

Impairment in relation to buildings, property, plant and equipment EUR 46.8 million relates mainly to longer than expected ramp-up of Fazer's xylitol factory and the announcement to consolidate production of oat drinks and oat-based cooking products from Koria, Finland to Fazer's factory in Tingsryd, Sweden.

During 2023 and 2022 no borrowing costs have been capitalised. The Groups average interest rate of borrowings is applied as the capitalisation rate.

12. FINANCIAL ASSETS AND LIABILITIES

12.1 Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity, 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. Treasury committee monitors the Policy compliance on montly basis and Group Treasury reports to the Board of Directors regularly. Deviation from the Policy requires decision from the Board of Directors. 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 and SEK. In addition to this, cocoa purchases are denominated in GBP and purchases of certain commodities 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 percent, 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.

Foreign currency exposure

	31 December 2023			
MEUR	GBP	NOK	SEK	USD
Trade receivables	-	0.5	8.4	0.1
Trade payables	-6.3	-0.0	-0.8	-0.6
Bank accounts	3.6	0.1	-23.6	-0.1
Foreign exchange hedges	34.1	-3.0	-23.0	2.9
Operative exposure, net of hedges	**31.4**	**-2.4**	**-38.9**	**2.3**
Sensitivity to market risk				
10% favourable change impact on pre-tax profit	0.0	0.2	3.5	-0.0
10% favourable change impact on OCI	3.4	-	-	0.3
10% unfavourable change impact on pre-tax profit	-0.0	-0.3	-4.3	0.0
10% unfavourable change impact on OCI	-2.8	-	-	-0.2

	31 December 2022			
MEUR	GBP	NOK	SEK	USD
Trade receivables	0.0	0.0	-1.1	-
Trade payables	-3.2	-	4.8	-0.6
Bank accounts	-0.4	-0.5	4.8	0.4
Loans and deposits	-	1.9	28.2	-
Foreign exchange hedges	27.4	-	-31.4	3.0
Operative exposure, net of hedges	**23.9**	**1.4**	**5.2**	**2.8**
Sensitivity to market risk				
10% favourable change impact on pre-tax profit	0.1	0.2	0.6	0.2
10% favourable change impact on OCI	2.6	-	-	0.2
10% unfavourable change impact on pre-tax profit	-0.1	-0.1	-0.5	-0.1
10% unfavourable change impact on OCI	-2.1	-	-	-0.1

The operative currency exposure at the end of the financial period includes 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. The above position exposure does not include forecasted cashflows. Group hedges GBP and USD raw-material purchases as well as balance sheet items and sales income in SEK and NOK. 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.

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.

Sensitivity of equity to exchange rate risk, +/- 10% change in exchange rate

	31 December 2023				
MEUR	NOK	RUB	SEK	DKK	PLN
Equity	2.0	0.5	158.8	3.7	1.0
Change in equity	0.2	0.1	17.6	0.4	0.1

	31 December 2022				
MEUR	NOK	RUB	SEK	DKK	PLN
Equity	2.0	0.6	93.7	1.7	0.3
Change in equity	0.2	0.1	10.4	0.2	0.0

The sensitivity analysis highlights 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 in other currencies excluding SEK where impact would be EUR -14,4 million.

Commodity risk

The Group is exposed to raw material price risks particularly in grain products and cocoa, as well as to electricity and gas 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 by physical contracts or stock. 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.

Sensitivity of commodity derivatives to market risk

	31 December 2023		
	Cocoa	Wheat	Electricity
Total exposure	**41.2**	**1.9**	**14.0**
10% favourable change impact on pre-tax result	-	0.1	1.4
10% favourable change impact on OCI	1.6	-	-
10% unfavourable change impact on pre-tax result	-	-0.1	-1.4
10% unfavourable change impact on OCI	-1.6	-	-

	31 December 2022		
	Cocoa	Wheat	Electricity
Total exposure	**26.7**	**4.2**	**18.4**
10% favourable change impact on pre-tax result	-	0.2	4.2
10% favourable change impact on OCI	1.0	-	-
10% unfavourable change impact on pre-tax result	-	-0.2	-4.2
10% unfavourable change impact on OCI	-1.0	-	-

The sensitivity analysis shows the outstanding commodity derivatives and their sensitivity to market risk at the end of the financial year. Gains and losses from wheat derivatives are recorded in material expenses in the income statement, from cocoa derivatives in material expenses and fair value reserve in equity and from electricity derivatives in other operating expenses in the income statement.

Interest rate risk

The Group is exposed to interest rate risk to the extent it holds interest bearing assets and liabilities. According to the Treasury Policy, a minimum of 30% of the forecast 12 months' interest bearing debt shall be hedged, provided that the interest bearing debt exceeds EUR 100 million. For the purposes of interest rate hedging, the interest-bearing debt position does not include leasing liabilities if the value is EUR 5 million or below or defined employment benefit liabilities. In 2023 and 2022 interest-bearing debt used for assessing Group's interest rate risk, has not exceeded EUR 100 million.

At the end of the financial year the Group's interest-bearing net debt, including leasing liability, was EUR 41,9 (78,3) million. Cash and cash equivalents decreased from previous year by EUR 5,5 million to EUR 61,6 (67,1) million at the end of 2023. 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 0,5 (0.3) 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.

Sensitivity of net debt to change in Interest rate

	31 December 2023		31 December 2022	
MEUR	Debt	Effect	Debt	Effect
Increase of 1% in Interest rate	103.6	0.5	145.4	0.3
Decrease of 1% in Interest rate	103.6	-0.5	145.4	-0.3

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 effects of Russian attact on Ukraine 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 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 220 (200) million and of cash and bank in the amount EUR 61,6 (67,1) million. The final maturity date of the multicurrency revolving credit facility is in July 2028. The Group also has bilateral Commercial Paper (CP) programs in place with several Nordic banks. The CP programs are available until further notice. Fazer have complied with the financial covenants in its loan agreements during 2023 as well as 2022, and management expects this situation to continue.

Interest-bearing liabilities

MEUR	31 Dec 2023	31 Dec 2022
Non-current interest-bearing liabilities		
Loans from financial institutions	28.6	34.3
Leasing liabilities	40.7	41.9
Total	**69.3**	**76.2**
Current interest-bearing liabilities		
Commercial papers	14.9	23.9
Leasing liabilities	13.6	11.2
Loans from financial institutions	5.7	10.2
Current financial loans from others	-	24.0
Total	**34.3**	**69.2**
Interest-bearing liabilities, total	**103.6**	**145.4**

MEUR	2023	2022
Interest-bearing liabilities, 1 January	**145.4**	**131.3**
Proceeds of new debt	5.0	57.9
Repayment of debt	-50.9	-67.3
Increase of new lease liabilities	14.8	11.9
Repayment of lease liabilities	-13.2	-13.7
Net change of commercial papers	3.0	-2.0
Business acquisitions	-	12.3
Business disposals and classification as held for sale	-	19.4
Other	-0.4	-3.0
Exchange rate differences	-0.1	-1.2
Interest-bearing liabilities, 31 December	**103.6**	**145.4**

The liabilities include leasing liabilities of EUR 54,3 (53.1) million. In 2021, new EUR 200 million multicurrency revolving credit facility was agreed. This facility was increased with EUR 20 million and extended with 24 months in 2023. As per end of 2023 the entire multicurrency revolving credit facility of EUR 220 million was unutilised. The facility is used as 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 reseach and development in the Group.

Contractual maturities of financial liabilities

	31 December 2023				
MEUR	6 months or less	6-12 months	1-3 years	3-5 years	More than 5 years
Financial institutions	5.7	-	17.1	11.4	-
Commercial papers	14.9	-	-	-	-
Leasing liabilities	7.8	6.9	19.6	9.9	15.4
Accounts payable	126.1	0.0	-	-	-
Gross-settled derivatives					
F/X derivatives (to be paid)	4.0	50.9	-	-	-
F/X derivatives (to be received)	-4.0	-50.2	-	-	-
Commodity derivatives (to be paid)	0.9	0.9	0.6	-	-
Net-settled derivatives					
Commodity derivatives	0.1	0.1	-	-	-
Total	**155.5**	**8.6**	**37.4**	**21.3**	**15.4**

	31 December 2022				
MEUR	6 months or less	6-12 months	1-3 years	3-5 years	More than 5 years
Financial institutions	5.7	4.4	17.1	11.4	5.7
Commercial papers	23.9	-	-	-	-
Leasing liabilities	5.4	6.9	19.0	11.5	14.8
Accounts payable	120.5	-	-	-	-
Other	24.0	-	-	-	-
Gross-settled derivatives					
F/X derivatives (to be paid)	18.9	25.1	-	-	-
F/X derivatives (to be received)	-18.4	-24.7	-	-	-
Commodity derivatives (to be paid)	3.5	3.3	0.2	-	-
Net-settled derivatives					
Commodity derivatives	1.2	-	-	-	-
Total	**184.6**	**15.1**	**36.3**	**22.9**	**20.5**

The presented contractual maturities are undiscounted cashflows based on contracts. The amounts regarding gross-settled commodity derivatives are the nominal values of the contracts. Electricity derivatives are gross settled and result in the delivery of electricity, or net settled at the conclusion of the contracts. Cocoa and wheat derivatives are net settled, and the amount of the net cashflow is confirmed when the contracts are closed.

Financial transactions counterparty credit risk

Fazer's 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% 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. Credit risks in relation to trade receivables are shown in note 14.

12.2 Financial assets and liabilities by categories

Fair values of financial assets and liabilities by measurement category

	31 December 2023						31 December 2022				
MEUR	Amortised cost	Fair value through income statement	Fair value through OCI	Carrying amount	Fair value	Fair value hierarchy	Amortised cost	Fair value through income statement	Fair value through OCI	Carrying amount	Fair value
Assets											
Non-current financial assets	-	3.1	26.6	29.7	29.7	3	-	3.1	8.5	11.7	11.7
Non-current receivables	1.7	-	-	1.7	1.5		2.0	-	-	2.0	1.8
Trade receivables	128.2	-	-	128.2	128.2		118.6	-	-	118.6	118.6
Derivative instruments											
Hedge accounted derivatives	-	4.1	-	4.1	4.1	2	-	1.9	-	1.9	1.9
Derivatives, non-qualifying	-	2.3	-	2.3	2.3	2	-	16.7	-	16.7	16.7
Cash and cash equivalents	61.6	-	-	61.6	61.6		67.1	-	-	67.1	67.1
Liabilities											
Leasing liabilities	54.3	-	-	54.3	51.8		53.1	-	-	53.1	50.0
Loans from financial institutions	34.3	-	-	34.3	32.2		44.4	-	-	44.4	40.9
Commercial papers	14.9	-	-	14.9	14.9		23.9	-	-	23.9	23.9
Current financial loans from others	-	-	-	-	-		24.0	-	-	24.0	24.0
Trade payables	126.1	-	-	126.1	126.1		120.5	-	-	120.5	120.5
Hedge accounted derivatives	-	0.2	-	0.2	0.2	2	-	1.7	-	1.7	1.7
Derivatives, non-qualifying	-	3.0	-	3.0	3.0	2	-	7.3	-	7.3	7.3

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.

No changes between level 1, 2 ja 3 during or between the years.

Fair values under level 3 measurement hierarchy

Non-current financial assets totalling EUR 26.6 million (8.5) and measured at fair value through other comprehensive income consists of a strategical equity investment in Solar Foods Oy. These shares are measured based on the latest available external valuation of Solar Foods Oy prepared in connection to a share issue, issuance of convertible debt or similar. The latest external valuation prepared in connection to such a situation and used for the measurement of the shares in Solar Foods Oy is from October 2023. Fazer considers this method to reflect the most correct value of the equity investment currently as the company is in its start-up phase. For strategic equity investments which are not held for trading, 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.

Other investments in non-current financial assets consist of shares and holdings in unlisted real estate companies as well as other unlisted companies. These investments are valued at cost as a fair value for them cannot be determined without a sale of them. All changes in fair value as well as any gain or loss on disposal of these investments are included in other operating income or loss in the income statement.

Offsetting financial assets and liabilities

Fazer does not presently have a legally enforceable right of set-off of derivative assets and liabilities, and thus these assets and liabilities have not been set off in the statement of financial position. The group has entered into ISDA and corresponding local agreements regulating the offsetting of derivative assets and liabilities in specified cases. If such offsetting by each counterparty to the derivative instruments would be made, the amount of assets and liabilities are presented in the following table. There are no open commitments due to ISDA agreements. In addition to derivative instruments the group does not have any material financial assets or liabilities that are presented gross instead of net. Neither has the group received or given any material off balance sheet collaterals in relation to financial assets or liabilities.

Effects of offsetting on the statement of financial position

	31 December 2023		
MEUR	Gross amount in statement of financial position	Effect of general netting arrangement	Net amount
Derivative instruments, receivables	6.4	-2.8	3.6
Derivative instruments, payables	3.2	-2.8	0.4

	31 December 2022		
MEUR	Gross amount in statement of financial position	Effect of general netting arrangement	Net amount
Derivative instruments, receivables	18.6	-8.8	9.8
Derivative instruments, payables	9.1	-8.8	0.3

The amount of financial assets and liabilities if offsetting by each counterparty would be made.

12.3 Derivative instruments

Derivative instruments

	31 December 2023				31 December 2022	
MEUR	Positive fair value	Negative fair value	Net fair value	Nominal amounts	Net fair value	Nominal amounts
Hedge accounted						
Currency forwards	0.3	-0.1	0.3	36.5	-0.8	29.5
Cocoa futures	3.8	-0.1	3.7	41.2	0.9	26.7
Non-qualifying						
Currency forwards	0.1	-0.7	-0.6	86.6	0.2	37.8
Electricity futures	2.1	-2.3	-0.2	14.0	9.4	18.4
Wheat futures	0.0	-0.1	-0.1	1.9	-0.2	4.2
Total	**6.4**	**-3.2**	**3.2**	**180.2**	**9.5**	**116.6**

13. INVENTORIES

MEUR	31 Dec 2023	31 Dec 2022
Materials and supplies	59.4	64.2
Work in progress	10.6	9.1
Finished products	39.1	45.8
Total	**109.1**	**119.0**

During the year, inventories were scrapped or written down by EUR 7.7 (9.3) million.

14. TRADE AND OTHER NON-INTEREST-BEARING RECEIVABLES

MEUR	31 Dec 2023	31 Dec 2022
Trade receivables	128.2	118.6
Other receivables	4.4	6.4
Derivative instruments	6.6	18.8
Advance payments	0.1	0.0
Accruals	6.8	8.0
Total	**146.0**	**151.8**

Trade receivables

MEUR	Gross 31 Dec 2023	Credit loss provision 31 Dec 2023	Gross 31 Dec 2022	Credit loss provision 31 Dec 2022
Undue	121.7	-	115.9	-0.0
Past due up to 90 days	6.2	-0.1	2.5	-0.0
91-180 days past due	0.4	-0.2	-0.2	-0.1
Past due over 180 days	0.6	-0.5	0.6	-0.1
Total	**128.9**	**-0.8**	**118.8**	**-0.2**

In 2022, there were 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 receivables.

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is EUR 128.9 (118.8) million

Reconciliation of loss allowance provision

MEUR	2023	2022
Loss allowance as at 1 January	0.2	0.2
Movement in provision recognised in the income statement in other expenses during the period	0.6	0.3
Receivables written off during the year as uncollectible	-0.1	-0.3
Loss allowance as at 31 December	**0.8**	**0.2**

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 (13.6) million. No contract assets have been recognised in the financial statements of 2023 or 2022.

15. CASH AND CASH EQUIVALENTS

MEUR	31 Dec 2023	31 Dec 2022
Cash and bank	61.6	67.1
Total	**61.6**	**67.1**

16. EQUITY AND CAPITAL MANAGEMENT

16.1 Issued capital and equity reserves

On 25 August 2023 an extraordinary general meeting decided to arrange a directed share issue in which a maximum of 248,226 new preference shares would be issued by Oy Karl Fazer Ab. The shares were to be used as payment in kind for the acquisition of shares in Fazer Bakeries B.V. A total of 133,286 new preference shares were issued 1 October 2023, corresponding to an increase of EUR 2,665,720 of the share capital.

Issued capital and shares

	Number of shares			
MEUR	Preference shares	Ordinary shares	Total	Share capital
31 December 2022	4,341,039	2,365,200	6,706,239	134.1
Share issue	133,286	-	133,286	2.7
31 December 2023	**4,474,325**	**2,365,200**	**6,839,525**	**136.8**

At the end of the period, the share capital was EUR 136,790,500 and the total number of shares was 6,839,525 of which 4,474,325, or 65.4%, were preference shares and 2,365,200 or 34.6%, 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 28,126,325. 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 3.00 (3.00) per share, totalling EUR 20.5 (20.1) million, to 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 2023	31 Dec 2022
Hedge reserve	2.9	0.0
Non-current financial assets, fair value through other comprehensive income	19.1	1.2
Total	**22.0**	**1.2**

Retained earnings

MEUR	31 Dec 2023	31 Dec 2022
Translation differences	-28.1	-28.6
Retained earnings	403.3	510.2
Total	**375.2**	**481.6**

Detailed information about changes in other reserves and retained earnings can be found in the consolidated statement of changes in equity.

16.2 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 2023	31 Dec 2022
Net debt	41.9	78.3
Total equity	674.8	790.7
Gearing ratio	6.2 %	9.9 %
Total equity	674.8	790.7
Liabilities	370.0	418.8
Advance payments	0.3	0.1
Equity ratio	64.6 %	65.4 %

17. PROVISIONS

MEUR	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2023	**0.7**	**1.8**	**0.2**	**2.7**
Increase of provisions	0.1	-	0.1	0.2
Released during the period	-0.0	-	-0.1	-0.1
Reversals of unused provisions	-0.0	-0.0	-	-0.1
Exchange rate differences	0.0	0.0	0.0	0.0
31 Dec 2023	**0.7**	**1.8**	**0.2**	**2.7**
Current	0.7	-	0.2	0.9
Non-current	-	1.8	-	1.8

MEUR	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2022	**3.5**	**1.9**	**-**	**5.4**
Increase of provisions	0.2	0.1	0.2	0.5
Released during the period	-2.0	-0.0	-	-2.0
Reversals of unused provisions	-0.8	-	-	-0.8
Exchange rate differences	-0.3	-0.1	-	-0.4
31 Dec 2022	**0.7**	**1.8**	**0.2**	**2.7**
Current	0.1	-	0.2	0.4
Non-current	0.5	1.8	-	2.3

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 capasity adjustments and restructuring. Leasing restoration provisions are made based on leasing contracts, in which there is an obligation to restore the rented premises to their condition prior to the commencement of the lease.

18. LEASES

The Group's leasing contracts consits 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 2023 include rent concessions amounting to EUR 0.0 (0.1).

The amount of right to use assets and depreciations in relation to them can be found in note 11. The amount of leasing debt and its maturity split can be found in note 12.1 under liquidity and refinancing risk. Information regarding leasing liabilities not included in the balance sheet can be found in note 21.

Depreciations in relation to right to use asset arising from leasing contracts amounted to EUR 13.1 (13.5) 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 11. Other impacts that leasing contracts have on the continuing operations profit or loss statement can be found in the schedule below.

MEUR	2023	2022
Items in financial expenses		
Interest expenses	1.1	0.9
Items in other operating expense		
Expense relating to short-term leases	0.4	0.4
Expense relating to low-value assets	1.5	1.2
Expense relating to until further notice contracts	1.4	1.2
Expense relating to variable lease payments	28.7	29.6
Total, included in other operating expenses	**32.0**	**32.4**

Leases not yet commenced, which the Group is committed to, amounted at 31 December 2023 to EUR 1.4 (3.0) million.

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

19. POST-EMPLOYMENT BENEFITS

Fazer has defined benefit pension plans in Sweden and Finland. The main defined benefit plans at 31 December 2023 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 2023, 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 IAS 19. 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.

Costs recognized in the income statement

MEUR	2023	2022
Current service cost	-0.0	-0.0
Net interest (+expense / -income)	0.1	0.0
Total	**0.0**	**0.0**

Employee benefit assets and liabilities recognised in the balance sheet

MEUR	31 Dec 2023	31 Dec 2022
Present value of funded obligations	1.1	1.3
Fair value of plan assets	-1.2	-1.4
Underfunded (+) / overfunded (-)	-0.0	-0.1
Present value of unfunded obligations	2.2	2.3
Net defined benefit liability (+) / asset (-)	**2.1**	**2.2**
Total defined benefit asset in the balance sheet	-0.0	-0.1
Total defined benefit liability in the balance sheet	2.2	2.3
Total defined benefit liability in the balance sheet	**2.1**	**2.2**

Present value of obligations and fair value of plan assets

	2023			2022		
MEUR	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	**3.6**	**-1.4**	**2.2**	**5.8**	**-1.8**	**4.0**
Transferred to discontinued operations	-	-	-	-0.5	-	-0.5
Current service cost	-0.0	-	-0.0	-0.0	-	-0.0
Interest expence (+) income (-)	0.1	-0.0	0.1	0.1	-0.0	0.0
Total recognized in the income statement	**0.1**	**-0.0**	**0.0**	**0.0**	**-0.0**	**0.0**
Actuarial gain and loss on obligations arising from changes in financial assumptions	-0.2	0.1	-0.1	-1.4	0.3	-1.1
Actuarial gain and loss on obligations arising from experience adjustments	0.2	0.0	0.2	0.4	-0.0	0.4
Total remeasurement gains (-) and losses (+) included in OCI	**0.0**	**0.1**	**0.1**	**-1.0**	**0.2**	**-0.8**
Contributions by employers and paid benefits	-0.4	-0.1	-0.5	-0.3	-0.1	-0.4
Paid benefits	-	0.2	0.2	-	0.1	0.1
Settlements	-0.1	0.1	-	-0.1	0.1	-
Exchange rate difference	-0.0	0.0	0.0	-0.3	0.1	-0.2
Carrying value, at 31 December	**3.3**	**-1.2**	**2.1**	**3.6**	**-1.4**	**2.2**

The expected contributions to be paid to the defined benefit plans in 2024 are EUR 207 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

	2023	2022
Discount rate	3.72%	3.48%
Future pension increase	1.32%	1.63%
Salary increase	1.00%	1.00%
Inflation	1.73%	2.10%
Duration (years)	9.9	10.2

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 and the effect of changes in the assumptions to the defined benefit obligation (in EUR millions)

Assumption	Change in assumption	2023	2022
Discount rate	+ 0,50 %	-0.2	-0.2
	- 0,50 %	0.2	0.2
Inflation	+ 0,50 %	0.2	0.2
	- 0,50 %	-0.2	-0.2
Mortality	+ 1 year	0.1	0.1
	- 1 year	-0.1	-0.1

20. TRADE AND OTHER NON-INTEREST-BEARING PAYABLES

MEUR	31 Dec 2023	31 Dec 2022
Trade payables	126.1	120.5
Other current liabilities	17.2	18.7
Derivatives	3.4	9.4
Advance payments	0.3	0.1
Accrued expenses and prepaid income	88.2	85.5
Total	**235.2**	**234.1**

21. COMMITMENTS AND CONTINGENCIES

MEUR	31 Dec 2023	31 Dec 2022
Raw material purchases	36.2	44.0
Leasing	3.0	2.5
Total	**39.1**	**46.5**

Most of the raw material purchases relate to cocoa purchases in Fazer Confectionery and grain purchases for Fazer Lifestyle Foods mills. Fazer has made real estate investments under the Finnish Value Added Tax Act, whose revisions and annual auditable amounts are EUR 14.8 (17.2) million from years 2015 - 2023.

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.

22. 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 2023 and 2022.

On 25 August 2023, an extraordinary general meeting decided upon merger in which Fazer Bakeries B.V. decided to merge into Oy Karl Fazer Ab. In connection to this merger, it was also decided that Oy Karl Fazer Ab would acquire to non-controlling interest in Fazer Bakeries B.V. either through payment in kind by issuing new preference shares or by cash. The issuance of new preference shares, purchase of non-controlling interest and merger was registered on 1 October 2023. Shares in Fazer Bakeries B.V. for an amount of EUR 331 thousand was purchased from Elisabeth Dreijer von Sydow, a member of the Board of Directors in the parent company. There have been no other transactions with members of the Board of Directors during 2023 and no transactions during 2022. There have been no transactions with members from the Fazer Leadership Team during 2023 and 2022.

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 fees.

EUR thousand	2023	2022
Board renumeration	749	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 Directors 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 salary, fringe benefits and other benefits as well as a short- and long-term incentive plan.

EUR thousand	2023	2022
Paid salary	2,321	2,386
Short-term benefits	1,161	4,072
Long-term benefits	1,025	842
Total salary	4,507	7,301
Fringe Benefits	97	69
Total	**4,604**	**7,370**

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 right to retire at the age of 62.

23. DISCONTINUED OPERATIONS

Fazer announced on 6 March 2022 that it has decided to exit its operations in Russia and have classified all operations, assets and related liabilities in Russia as discontinued operations in March 2022. Fazer further announced on 29 April 2022 that an agreement regarding the sale of the Russian subsidiary OOO Hlebny Dom (former OOO Fazer) has been signed. The divestment was completed on 30 April 2022. After this, assets held for sale in relation to discontinued operations consist of land areas.

In 2021, net sales from Russia (including also the export sales) totalled approximately EUR 157 million, accounting for 13% of the total net sales for Fazer Group. The operations were part of the Fazer Bakeries business area and included bakeries in St. Petersburg as well as Moscow and employed approximately 2,300 employees.

The consideration receivable amounting to EUR 57.1 million from Compass Group Plc in relation to the sale of Fazer Food Services business was received in 2022. The positive effect of the early payment amounting to EUR 1.2 million is included in "Other expenses and income, net" in discontinued operations.

The financial performance for discontinued operations 2023 and 2022 are presented below.

MEUR	2023	2022
Net sales	-	65.2
Other expenses and income, net	-0.8	-71.5
Result before taxes	-0.8	-6.3
Income taxes	0.1	1.4
Loss on sale of OOO Hlebny Dom	-	-13.1
Result from discontiued operations	**-0.7**	**-18.0**

MEUR	2023	2022
Net cash flow from operating activities	-0.2	1.0
Net cash flow from investing activities	-	110.1
Net cash flow from financing activities	0.2	-17.2
Net cash flow of discontinued operations	**0.1**	**93.9**

Assets held for sale

MEUR	31 Dec 2023	31 Dec 2022
Assets		
Tangible assets	1.8	2.5
Other current receivables	0.1	0.0
Cash and cash equivalents	0.0	0.1
Total assets	**1.9**	**2.6**
Liabilities		
Deferred tax liabilities	0.3	0.4
Other current payables	0.0	0.0
Total liabilities	**0.3**	**0.4**

24. BUSINESS ACQUISITIONS AND DISPOSALS

Fazer did not do any acquisitions or disposals in 2023.

On 13 December 2021, Fazer announced the acquisition of the Swedish food company Trensums Food. Tresnums Food is one of the leading producers of plant-based drinks in Europe, with a strategic focus on oat drinks. The acquisition was completed on 28 February 2022 after receiving the necessary approvals from local competition authorities. This acquisition is a further step in the implementation of Fazer's growth strategy and the ambition to become one of the leading players in non-dairy and plant-based markets in Northern Europe. The operations form a part of Fazer Lifestyle Foods business area.

Trensum Food's impact on Group 2022 net sales was EUR 48.6 million and on operating profit EUR -5.9 million. If the acquisition had taken place on 1 January 2022, management estimates that the impact on Group net sales would have been approximately EUR 62.2 million and on operating profit EUR -5.1 million. The fair value of intangible assets (among others customer relationships and recipes) at the time of acquisition amounted to EUR 37.6 million. The EUR 155.2 million goodwill arising from the acquisition reflects the synergies that are expected to be achieved in purchasing, selections and sales. The goodwill is expected not to be tax deductible. Acquisition-related costs amounted to EUR 1.1 million and they are

included in other operating expenses in the income statement. Below is a summary of the fair values of assets acquired and liabilities assumed at the date of the acquisition after adjusting them to comply with Fazer's accounting policies as well as the cash flow impact of the acquisition.

MEUR	Trensums Food
Assets	
Intangible assets	37.6
Property, plant and equipment	23.5
Inventories	10.0
Trade and other current receivables	12.2
Cash and cash equivalents	0.3
Total assets	**83.6**
Liabilities	
Deferred tax liabilities	9.5
Interest-bearing liabilities	12.3
Trade and other current payables	11.8
Total liabilities	**33.5**
Net assets	**50.1**
Consideration paid	205.3
Goodwill	**155.2**
Cash flow impact of acquisition	
Consideration paid	205.3
Cash and cash equivalents acquired	-0.3
Cash flow impact in cash flow from investing activities	**205.0**

Fazer had a consideration receivable of EUR 57.1 million from Compass Group in relation to the sale of Fazer Food Services in 2020. This receivable has been paid in 2022 and its impact on the cash flow statement is shown in proceeds from businesses in the cash flows from investing activities.

Fazer announced on 6 March 2022 that it has decided to exit its operations in Russia and further announced on 29 April 2022 that an agreement regarding the sale of OOO Hlebny Dom (former OOO Fazer) has been signed. The divestment was completed on 30 April 2022. The operations have been classified as discontinued operations in 2022. Below is a summary of the sold assets and liabilities, the result of the divestment as well as the cash flow impact.

MEUR	OOO Hlebny Dom (OOO Fazer)
Assets	
Goodwill	2.9
Intangible assets	0.1
Property, plant and equipment	49.2
Deferred tax receivables	1.4
Inventories	9.8
Trade and other receivables	36.8
Cash and cash equivalents	3.0
Total assets	**103.2**
Liabilities	
Non-current liabilities	1.3
Deferred tax liabilities	2.8
Current trade and other payables	28.7
Total liabilities	**32.8**
Net assets	**70.4**
Reconciliation of loss on sale	
Consideration in cash	58.0
Net assets sold	-70.4
Transaction fees	-0.4
Translation differences and other exchange rate differences	-0.3
Net result from sale of operations	**-13.1**
Reconciliation of cash flow impact of sale	
Consideration to be paid in cash	58.0
Cash and cash equivalents of divested operations	-3.0
Cash flow impact in cash flow from investing activities	**55.0**

25. SUBSIDIARIES

	Country	Group ownership (%) 31 Dec 2023	31 Dec 2022
Owned by the parent			
Fazer Bakeries B.V.	The Netherlands	-	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
Crestjoy Oy	Finland	100	-
Startplace Oy	Finland	100	-
Owned by other group companies			
Fazer Sweden AB	Sweden	100	100
Fazer Bageri AB	Sweden	100	100
Fazer Eesti OÜ	Estonia	100	100
Fazer Norway AS	Norway	100	100
Fazer Denmark ApS	Denmark	100	100
Fazer Poland Sp.z.o.o.	Poland	100	100
Kiinteistö Oy Kanneltori	Finland	100	100
Crestjoy Oy	Finland	-	70
Startplace Oy	Finland	-	70
OOO Avangard *	Russia	100	70
OOO Startplace Bakeries Invest *	Russia	100	70
SIA Fazer Latvija	Latvia	100	100
UAB Fazer Lietuva	Lithuania	100	100
Trensums Food AB	Sweden	100	100
Trensums Prosessing AB	Sweden	100	100
Trensums Fastigheter i Tingsryd AB	Sweden	-	100

* These entities form discontinued operations.

Changes in Group structure during 2023

- Fazer Bakeries B.V. was merged into Oy Karl Fazer Ab in October 2023.
- Trensums Fastigheter i Tingsryd AB was merged into Trensums Food AB in November 2023.

26.NON-CONTROLLING INTERESTS

	Fazer Bakeries B.V. Group The Netherlands	
MEUR	2023	2022
Non-controlling interests share of voting right	0%	30%
Current assets	-	1.1
Non-current assets	-	215.8
Current liabilities	-	0.2
Non-current liabilities	-	0.7
Net sales		
Costs and other income	-	-17.0
Result for the period	-	-17.0
Result attributable to non-controlling interests	-	-5.1
Total other comprehensive income for the period	-	-8.0
Total other comprehensive income attributable to non-controlling	-	-2.4
Non-controlling interests share of equity	-	65.5

Oy Karl Fazer Ab have acquired the outstanding non-controlling interests of 30% in Fazer Bakeries B.V. in 2023. The acquisition was partly paid in kind by new preference shares issued by Oy Karl Fazer Ab corresponding to EUR 35.2 million and partly in cash EUR 30.4 million. The effect that the acquisition had on equity attributable to owners in the parent company was the following.

MEUR	2023
Carrying amount of non-controlling interest acquired	66.1
Consideration paid to non-controlling interest	65.6
Increase in equity attributable to owners of the parent company	**0.5**

Fazer Bakeries B.V. was merged into Oy Karl Fazer Ab as of 1 October 2023. Thus, there is no information to be presented in relation to non-controlling interests as of 31 December 2023.

The majority of the operations in Fazer Bakeries B.V. group were in OOO Hlebny Dom (former OOO Fazer). The operations in Russia were classified as discontinued operations in 2022 and OOO Hlebny Dom was also sold in 2022. Further information in relation discontinued operations and business disposals can be found in notes 23 and 24.

27. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

PARENT COMPANY INCOME STATEMENT

EUR	Note	2023	2022
Net sales	**2.1**	**101,947,774.30**	**96,223,082.43**
Other operating income	2.2	3,670,077.99	1,948,422.04
Materials and services		1,352.89	-326.07
Personnel costs	2.3	-11,272,006.18	-14,603,894.05
Depreciation and impairments	2.4	-7,242,422.03	-9,145,205.86
Other operating costs	2.5	-83,200,737.24	-77,516,111.07
Operating result		**3,904,039.73**	**-3,094,032.58**
Financial income and expenses	2.6	-44,733,917.75	8,642,318.47
Result before appropriations and taxes		**-40,829,878.02**	**5,548,285.89**
Appropriations	2.7	30,228,221.36	-2,721,951.83
Income taxes	2.8	-6,631,226.00	-578,580.68
Result for the financial year		**-17,232,882.66**	**2,247,753.38**

PARENT COMPANY BALANCE SHEET

EUR	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Intangible assets	3.1	21,231,208.48	27,090,539.92
Tangible assets	3.2	25,267,591.24	27,414,431.92
Investments	3.3	1,129,314,087.02	1,088,469,326.02
Total non-current assets		**1,175,812,886.74**	**1,142,974,297.86**
Current assets			
Long-term receivables	3.4	32,769,462.53	256,695,540.30
Short-term receivables	3.5	108,188,314.55	133,345,695.45
Cash and cash equivalents		60,336,834.71	65,802,426.63
Total current assets		**201,294,611.79**	**455,843,662.38**
TOTAL ASSETS		**1,377,107,498.53**	**1,598,817,960.24**
EQUITY AND LIABILITIES			
Equity	3.6		
Share capital		136,790,500.00	134,124,780.00
Reserve for invested unrestricted equity		140,813,530.44	108,249,094.92
Retained earnings		798,382,342.95	816,253,306.57
Result for the financial year		-17,232,882.66	2,247,753.38
Total equity		**1,058,753,490.73**	**1,060,874,934.87**
Appropriations	3.7	**1,626,094.45**	**1,754,315.81**
Liabilities			
Long-term liabilities	3.8	30,041,402.28	261,274,427.34
Short-term liabilities	3.9	286,686,511.07	274,914,282.22
Total liabilities		**316,727,913.35**	**536,188,709.56**
TOTAL EQUITY AND LIABILITIES		**1,377,107,498.53**	**1,598,817,960.24**

STATEMENT OF CASH FLOWS FOR THE PARENT COMANY

EUR thousand	2023	2022
Cash flows from operating activities		
Result before appropriations and taxes	-40,830	5,548
Adjustments		
Depreciations and impairments	7,242	9,145
Financial income and expenses	44,734	-8,642
Items included in investing activites	-1,580	2,948
Non-cash income and expenses	6,909	-
Total adjustments	57,307	3,451
Decrease (+) / (-) increase in short term receivables	-237	13,492
Decrease (-) / (+) increase in short term payables	-3,428	-6,964
Total change in working capital	-3,665	6,528
Interests received	17,028	11,789
Interests paid	-7,789	-4,942
Other financial income and expenses, net	-3,370	2,535
Income taxes paid	4,504	-10,058
Net cash from operating activities	**23,186**	**14,851**
Cash flows from investing activities:		
Purchase of tangible and intangible assets	-652	-1,657
Proceeds from sale of tangible and intangible assets	-1,611	274
Investments in shares of subsidiaries	-270,389	-200,000
Proceeds from sale of shares of subsidiaries	-	57,051
Investment in other shares and holdings	-200	-
Proceeds from sale of current financial assets	-	25,969
Net cash from investing activities	**-272,852**	**-118,363**

EUR thousand	2023	2022
Cash flows from financing activities:		
Increase in loan receivables	-86,542	-528,217
Decreae in loan receivables	336,152	491,590
Proceeds from debt	444,527	395,104
Repayment of debt	-479,093	-359,018
Net change of balance in group cash pool	60,811	-1,071
Net change of commercial papers	-8,936	9,885
Group contributions paid and received, net	-2,600	31,500
Dividends paid	-20,119	-91,205
Net cash from financing activities	**244,201**	**-51,432**
Net increase (+) decrease (-) in cash and cash	-5,466	-154,944
Cash and cash equivalents at beginning of period	65,802	220,747
Cash and cash equivalents at end of period	**60,337**	**65,802**

1. PARENT COMPANY ACCOUNTING POLICIES

Oy Karl Fazer Ab's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statements are presented in thousand euro, except for the income statement and balance sheet which are presented in euros.

Net sales and revenue recognition
The parent company's operations consist of different types of charges from other group companies. These charges consist of IT services, management fees and royalties from brands owned by the parent company. Income from services is recognised when the service has been performed. Net sales are calculated as invoiced amount less indirect taxes, rebates and exchange rate differences related to sales.

Other operating income
Other operating income includes gains on the sales of fixed assets and contributions received as well as all other operating income not related to net sales, such as rents.

Leases
Expenses in relation to leases are recognised as expenses when incurred. The remaining leasing liabilities are reported as off-balance sheet items and can be found in note 4.2.

Income taxes
Tax expenses are calculated based on Finnish tax regulations taxable profit for the period with adjustments for previous periods. Deferred taxes are not recorded.

Research and development
Research and development expenditures are recognised 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 capitalised after consideration and depreciated in 3–5 years.

Pensions
Pension costs are expensed in the year they incur. Parent company's employees don't have collective pension arrangement.

Intangible and tangible 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:

- 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 an asset is available for use.

Derivates
In line with Fazer Group's Treasury policy derivative instruments are used to manage risks in relation to interest rates, exchange rates and commodities such as cocoa, wheat and electricity. The parent company does not apply hedge accounting and thus all effects of derivative instruments are recognised through financial items in the income statement. External derivatives are executed by the parent company on behalf of group companies and corresponding derivatives are made back-to-back between the Oy Karl Fazer Ab and the group company in question for such derivatives that the group applies hedge accounting and other separately agreed situations.

Derivatives are initially valued at the fair value and subsequently measured at fair value at the end of each reporting period. The fair value of derivatives is determined using the same principles as described in Fazer Group's accounting policies.

Transactions denominated in foreign currency
Changes in the fair value of exchange rate derivatives are presented in interest income or expenses as well as in exchange rate gains or losses among financial items. Exchange rate gains and losses are presented net as either income or loss. Changes in fair values of commodity derivatives are presented net in financial items.

Financial assets
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 expenses in financial income and expenses.

Financial liabilities
Financial liabilities are measured at acquisition cost or a lower fair value at period-end closing. Changes in the measurement are presented as other income or expenses in financial income and 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 maturity of three months or less and low risk of any change in the value. Bank overdrafts are included in borrowings in current liabilities in the statement of financial position.

Cash flow statement
Group internal cash pool receivables and liabilities as well as other group internal financing transactions (loan receivables and payables) are all shown within cash flows from financing activities.

2. NOTES TO THE INCOME STATEMENT

2.1 Net sales by geographical area

EUR thousand	2023	2022
Finland	79,154	75,128
Other Nordic Countries	20,166	18,448
Russia	-	589
The Baltics	2,269	1,998
Other	359	60
Total	**101,948**	**96,223**

2.2 Other operating income

EUR thousand	2023	2022
Rental income	1,846	1,777
Sale of fixed assets	1,611	-
Other	213	172
Total	**3,670**	**1,948**

2.3 Personnel expenses

EUR thousand	2023	2022
Salaries and wages	9,240	11,847
Pension expenses	1,456	1,936
Other social security costs	577	820
Total	**11,272**	**14,604**

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

EUR thousand	2023	2022
Members of the Board of Directors	749	550
President & CEO and members of Fazer Leadership Team	3,300	6,468
Total	**4,049**	**7,018**

Further information regarding the remuneration of the Board of Directors, the President & CEO and the Fazer Leadership Team as well as related party transactions can be found in note 22 of the consolidated financial statements.

The number of employees on average for the period was 55 (57).

2.4 Depreciations and amortisations

EUR thousand	2023	2022
Immaterial rights	4,334	6,373
Other capitalised expenditure	1,846	1,693
Buildings and structures	710	706
Machinery and equipment	220	241
Other tangible assets	133	133
Total	**7,242**	**9,145**

2.5 Other operating expenses

EUR thousand	2023	2022
Rents and other real estate related	1,207	916
ICT	15,639	16,676
Merger loss	6,909	-
Administrative and other	59,446	59,924
Total	**83,201**	**77,516**

Fees to the auditor

EUR thousand	2023	2022
PricewaterhouseCoopers Oy		
Audit fees	164	121
Other services	135	126
Total	**299**	**247**

2.6 Financial income and expenses

EUR thousand	2023	2022
Interest income from Group companies	13,349	11,707
Interest income from others	2,452	1,400
Commodity derivatives, gains and losses net	-	3,611
Other financing income	-	128
Financial income total	**15,801**	**16,847**
Interest expenses to Group companies	-8,516	-3,289
Interest expenses to others	-1,894	-1,386
Commodity derivatives, gains and losses net	-9,554	-
Exchange rate gains and losses, net	-1,438	-3,034
Other financing expenses	-593	-495
Impairment loss on shares	-38,540	-
Financial expenses total	**-60,535**	**-8,204**
Financial income and expenses, net	**-44,734**	**8,642**

2.7 Appropriations

EUR thousand	2023	2022
Depreciation difference (- increase / + decrease)	128	-122
Group contributions, received	92,200	60,100
Group contributions, given	-62,100	-62,700
Total	**30,228**	**-2,722**

2.8 Income taxes

EUR thousand	2023	2022
Tax on income from operations	-6,895	-579
Tax at source on foreign income	-1	-
Defferred tax	264	-
Total	**-6,631**	-579

3. NOTES TO THE BALANCE SHEET

3.1 Intangible assets

EUR thousand	Immaterial rights	Other capitalised expenditures	Total
Cost at 1 Jan 2022	**69,342**	**45,456**	**114,798**
Additions	-	1,321	1,321
Disposals	-4,036	-2,691	-6,727
Reclassifications	-	989	989
Cost at 31 Dec 2022	**65,306**	**45,074**	**110,380**
Additions	-	41	41
Reclassifications	-	280	280
Cost at 31 Dec 2023	**65,306**	**45,395**	**110,701**
Accumulated amortisations and impairment losses at 1 Jan 2022	**-37,932**	**-41,071**	**-79,003**
Amortisations for the period	-6,373	-1,693	-8,065
Amortisations on disposals	1,547	2,232	3,779
Accumulated amortisations and impairment losses at 31 Dec 2022	**-42,758**	**-40,532**	**-83,289**
Amortisations for the period	-4,334	-1,846	-6,180
Accumulated amortisations and impairment losses at 31 Dec 2023	**-47,092**	**-42,378**	**-89,469**
Carrying amount			
31 December 2023	**18,214**	**3,017**	**21,231**
31 December 2022	22,548	4,542	27,091

3.2 Tangible assets

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Work in progress	Total
Cost at 1 Jan 2022	**2,730**	**18,276**	**6,424**	**2,223**	**1,753**	**31,405**
Additions	-	27	40	-	270	337
Disposals	-	-8	-	-	-274	-281
Reclassifications	-	160	314	-	-1,463	-989
Cost at 31 Dec 2022	**2,730**	**18,455**	**6,777**	**2,223**	**286**	**30,471**
Additions	-	-	-	18	593	611
Disposals	-94	-	-	-	-	-94
Reclassifications	-	-	-	-	-280	-280
Cost at 31 Dec 2023	**2,636**	**18,455**	**6,777**	**2,241**	**599**	**30,708**
Revaluations 31 Dec 2022	**8,671**					**8,671**
Disposals	-1,321					-1,321
Revaluations 31 Dec 2023	**7,350**					**7,350**
Accumulated depreciation and impairment losses at 1 Jan 2022	**-**	**-3,656**	**-5,814**	**-1,186**	**-**	**-10,656**
Depreciations for the period	-	-706	-241	-133	-	-1,080
Depreciations on disposals	-	8	-	-	-	8
Accumulated depreciation and impairment losses at 31 Dec 2022	**-**	**-4,354**	**-6,055**	**-1,319**	**-**	**-11,728**
Depreciations for the period	-	-710	-220	-133	-	-1,062
Accumulated depreciation and impairment losses at 31 Dec 2023	**-**	**-5,065**	**-6,275**	**-1,451**	**-**	**-12,790**
Carrying amount						
31 December 2023	**9,986**	**13,390**	**503**	**790**	**599**	**25,268**
31 December 2022	11,401	14,100	723	904	286	27,414

3.3 Investments

EUR thousand	Shares in subsidiaries	Other shares and holdings	Total
Cost at 1 Jan 2022	**877,856**	**10,614**	**888,469**
Additions	200,483	-	200,483
Disposals	-483	-	-483
Cost at 31 Dec 2022	**1,077,856**	**10,614**	**1,088,469**
Additions	305,620	200	305,819
Change through merger	-226,435	-	-226,435
Impairments	-38,540	-	-38,540
Cost at 31 Dec 2023	**1,118,501**	**10,813**	**1,129,314**

Information on Oy Karl Fazer Ab's ownership in other Group companies as at 31/12/2023 can be found in note 25 in the consolidated financial statements.

3.4 Long-term receivables

EUR thousand	31 Dec 2023	31 Dec 2022
Loan receivables from Group companies	32,769	256,696
Long term receivables total	**32,769**	**256,696**

3.5 Short-term receivables

EUR thousand	31 Dec 2023	31 Dec 2022
Trade receivables	76	2
Receivables from Group companies	96,822	97,735
Other receivables	927	963
Accruals	10,364	34,646
Total	**108,188**	**133,346**
Receivables from Group companies		
Trade receivables	1,483	251
Loan receivables	1,744	25,780
Group contribution	92,200	60,100
Other receivables	339	7,298
Accruals	1,056	4,306
Total	**96,822**	**97,735**
Material items in accruals		
Accrued income taxes	977	12,990
Derivatives	6,243	18,563
Other	3,144	3,093
Total	**10,364**	**34,646**

3.6 Equity

EUR thousand	31 Dec 2023	31 Dec 2022
Restricted equity		
Share capital 1.1	134,125	134,125
Share issue	2,666	-
Share capital 31.12	**136,791**	**134,125**
Restricted equity total	**136,791**	**134,125**
Non-restricted equity		
Reserve for invested unrestricted equity 1.1	108,249	108,249
Share issue	32,564	-
Reserve for invested unrestricted equity 31.12	**140,814**	**108,249**
Retained earnings 1.1	818,501	907,458
Payment of dividends	-20,119	-91,205
Retained earnings 31.12	**798,382**	**816,253**
Result for the period	-17,233	2,248
Non-restricted equity total	**921,963**	**926,750**
Total equity	**1,058,753**	**1,060,875**

Share capital by classes of shares (pcs)	31 Dec 2023	31 Dec 2022
Preference shares	4,474,325	4,341,039
Ordinary shares	2,365,200	2,365,200
Total	**6,839,525**	**6,706,239**

On 25 August 2023 an extraordinary general meeting decided to arrange a directed share issue in which a maximum of 248,226 new preference shares would be issued by Oy Karl Fazer Ab. The shares were to be used as payment in kind for the acquisition of shares in Fazer Bakeries B.V. A total of 133,286 new preference shares were issued 1 October 2023, corresponding to an increase of EUR 2,665,720 of the share capital.

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.

3.7 Appropriations

EUR thousand	31 Dec 2023	31 Dec 2022
Accumulated depreciation difference	1,626	1,754
- unrecognised deferred tax liability	325	351

3.8 Long-term liabilities

EUR thousand	31 Dec 2023	31 Dec 2022
Deferred tax liability	1,470	1,734
Loans from Group companies	-	225,254
Loans from financial institutions	28,571	34,286
Long-term liabilities total	**30,041**	**261,274**

Deferred tax liabilities arises from the following

EUR thousand	31 Dec 2023	31 Dec 2022
Revaluations	1,470	1,734
Total	**1,470**	**1,734**

3.9 Short-term liabilities

EUR thousand	31 Dec 2023	31 Dec 2022
Other interest-bearing liabilities	-	24,000
Loans from financial institutions	5,714	5,714
Commercial papers	14,946	23,883
Liabilities to group companies	252,162	198,625
Trade payables	3,004	4,028
Other liabilities	957	2,015
Accruals	9,903	16,649
Total	**286,687**	**274,914**
Liabilities to Group companies		
Other interest bearing liabilities	185,281	131,569
Trade payables	134	243
Group contributions	62,100	62,700
Derivatives	3,880	1,853
Accrued liabilities	766	2,260
Total	**252,162**	**198,625**
Material items in accruals		
Wages, salaries and social expenses	5,553	6,172
Interests	99	277
Derivatives	3,287	8,049
Other	964	2,151
Total	**9,903**	**16,649**

4. OTHER NOTES

4.1 Guarantees

EUR thousand	31 Dec 2023	31 Dec 2022
Guarantees given on behalf of other Group companies	15,776	18,427

4.2 Leasing and rental liabilities

EUR thousand	31 Dec 2023	31 Dec 2022
Due for payment the following financial period	1,560	1,477
Due for payment later	1,127	991
Total	**2,687**	**2,467**

4.3 Other contingent liabilities

EUR thousand

The company has made investments in real estate for which, in accordance with local Value Added Tax Act, there is a responsibility to repay VAT. The annual auditable amounts is EUR 1,547 thousand (2,046).

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 12.1 - 12.3 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 detailed description can be found in note 12.2 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	31 Dec 2023			31 Dec 2022		
EUR thousand	Pos.	Neg.	Net	Pos.	Neg.	Net
Currency derivatives						
External	436	-737	-301	333	-864	-531
With entities in the same group	61	-325	-264	853	-25	828
Commodity derivatives						
External	5,942	-2,475	3,467	18,268	-8,211	10,057
With entities in the same group	-3,808	168	-3,640	1,177	-1,853	-676
Total	**2,631**	**-3,369**	**-738**	**20,631**	**-10,953**	**9,678**

Nominal values of derivatives EUR thousand	31 Dec 2023	31 Dec 2022
Currency forward contracts		
External	123,091	67,251
With entities in the same group	36,450	31,034
Commodity futures		
External	57,065	49,300
With entities in the same group	43,052	30,955

SIGNATURES OF THE BOARD OF DIRECTORS REPORT AND ANNUAL ACCOUNTS

Vantaa, 16th February 2024

Casper von Koskull
Chair

Elisabeth Drejer von Sydow

Jan Fazer

Cecilia Marlow

Laura Tarkka

Harry Brouwer

Ketil Eriksen

Johan Linder

Juhani Mäkinen

Christoph Vitzthum
President and CEO

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 16th February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant