



Fazer Group

Financial statement release 2024

JANUARY – DECEMBER



FAZER GROUP JANUARY - DECEMBER 2024: GOOD PERFORMANCE SUPPORTED BY EFFICIENCY MEASURES

Financial information in this release is derived from Fazer Group's consolidated financial statements which are prepared in accordance with IFRS Accounting Standards. The information in this release is unaudited. The figures in brackets refer to the same period previous year unless otherwise stated. Fazer Group's 2024 financial statements will be published in week 10.

January - December 2024 highlights

- Net sales increased by 1% to EUR 1,183.1 million (1,170.1).
- Comparable net sales, excluding Dairy business, increased by 3%.
- Comparable EBITDA increased by 3% and totalled EUR 141.4 million (137.1), or 12.0% (11.7%) of net sales.
- Comparable operating result (EBIT) increased by 14% and totalled EUR 75.9 million (66.8), or 6.4% (5.7%) of net sales.
- EBITDA totalled EUR 133.1 million (123.6). EBITDA includes items affecting comparability totalling EUR -8.3 million (-13.5).
- Operating result (EBIT) totalled EUR 46.0 million (-81.6). Operating result includes items affecting comparability totalling EUR -29.9 million (-148.4).
- The result for the period increased and totalled EUR 34.7 million (-86.5).
- Cash flow from operating activities totalled EUR 110.0 million (142.8).
- Comparable earnings per share totalled 8.59 euro (7.27)
- Earnings per share totalled 5.07 euro (-12.94).

MEUR, or as indicated	1-12/2024	1-12/2023	Change
Net sales	1,183.1	1,170.1	1%
Comparable EBITDA	141.4	137.1	3%
Comparable EBITDA %	12.0%	11.7%	
Items affecting comparability in EBITDA	-8.3	-13.5	38%
EBITDA	133.1	123.6	8%
EBITDA %	11.2%	10.6%	
Comparable operating result	75.9	66.8	14%
Comparable operating result %	6.4%	5.7%	
Items affecting comparability in operating result	-29.9	-148.4	80%
Operating result	46.0	-81.6	-
Operating result %	3.9%	-7.0%	
Result before taxes	45.4	-86.0	-
Result for the period	34.7	-86.5	-
Cash flows from operating activities	110.0	142.8	-23%
Capital expenditure	54.9	45.8	20%
Net debt	22.4	41.9	-47%
Net debt to EBITDA	0.2	0.5	
Gearing ratio, %	3.2%	6.2%	
Return on equity, %	5.1%	-11.8%	
Equity ratio, %	64.9%	64.6%	
Return on capital employed, %	5.9%	-9.5%	
Comparable return on capital employed, %	9.7%	7.8%	
Earnings per share attributable to owners of the parent, EUR			
Group total, basic and diluted	5.07	-12.94	-
Comparable earnings per share, EUR	8.59	7.27	18%
Personnel, average *	4,885	4,870	0%
Personnel, end of period *	4,764	4,743	0%

* All personnel figures in this report are presented as number of full-time equivalents (FTE).

CHRISTOPH VITZTHUM, PRESIDENT AND CEO, FAZER GROUP

PERFORMING WELL DESPITE HEADWINDS

The year 2024 was characterised by an increasingly demanding operating environment, where consumer cautiousness continued to impact the market, resulting in intensifying competition for the consumer. High input costs and especially accelerating cocoa prices continued to create challenges in the confectionery market. The Finnish government's proposal to reclassify chocolates and candy to a higher VAT category further increased uncertainty. This change would steer consumers' purchasing behaviour between different product categories in a way that distorts competition considerably and thereby creates significant business barriers for some companies. Despite these obstacles, we concentrated on growth and profitability, continued to offer products appealing to our consumers, implemented effective marketing strategies, built strong customer relations and maintained a competitive cost base through continuous efficiency measures. Fazer's performance in 2024 is a clear demonstration of perseverance and resilience with stable net sales of EUR 1,183.1 million (1,170.1), representing a 3% growth in comparable terms, and improving comparable EBITDA of EUR 141.4 million (137.1).

Our confectionery business with its strong market positions, delicious chocolates, candies, biscuits, as well as inviting cafés and bakery shops, developed well in 2024 and consequently Fazer Confectionery delivered all-time high net sales of EUR 543.1 million (505.0). I am particularly happy with our development in Sweden, where we gained market share and traction through good demand, successful marketing and PR efforts and, most importantly, delicious products. Throughout the year, timely and focused measures were taken in the business, tackling both strong market competition and high input costs with efficiency measures and the continuous development of our offering. In 2024, Fazer launched several novelties, among others the Remix mini candy bags and the Karl Fazer Salty Toffee Crunch praline, that were to the taste of consumers both in Finland and Sweden. Our Gifts and Seasonal offering, a focus area in 2024, was also well received with novelties such as Fazer Glögg Jellies in Finland and the Klassiker chocolate praline box in Sweden.

Our bakery businesses continued to be challenged by intense competition in all three markets and net sales decreased to EUR 452.4 million (462.6). During the second half of the year, demand for our Finnish bakery products increased, with good growth in Shop-in-Shops and high demand for the renewed Puikula rye bread and our Pullava sweet bakery. In Sweden and in the Baltics, markets remained highly price driven with a high share of campaigning. To strengthen our positions in the Baltic

markets, and to ensure future competitiveness we announced the consolidation of all our Baltic bakeries to one unit in Ogre, Latvia in April. The project is expected to be finalised in spring 2025.

Despite the fact that Fazer Lifestyle Foods was particularly highly affected by high promotion shares and strong competition in all markets, comparable net sales remained at the previous year's level, totalling EUR 218.5 million (216.0). Demand was good in the Cereals business and for Froosh products, whereas demand for Fazer's Plant-Based Drinks was lower. Fazer Lifestyle Foods continuously develops the business to support its competitiveness and demand. A further step on this journey is the transfer of our gurt production in Koria to Finnish Food Factory. The aim of the transfer is to develop the capabilities of the gurt production, supporting our ambition to grow exports of the Fazer Aito gurts.

The ramp up of Fazer's xylitol factory has been more complicated than anticipated. We maintain our commitment to the xylitol business and intend to continue exploring different options to significantly increase production efficiency and production volumes. Therefore, we are currently testing other industrial side streams as a raw material for xylitol.

Fazer is well-placed in progressive megatrends, positioning itself at the forefront of sustainability, wellness, and experiential snacking. These trends resonate with consumers and align with Fazer's dedication to creating exceptional products that both delight and nourish. In accordance with our strategy, we focus on becoming an even more consumer-centric company through constantly positioning and strengthening of the brand and product portfolio in all markets through our four growth priorities; driving profitable growth as the number 1 FMCG company in Finland; accelerating profitable growth in Sweden; growing internationally with clear priorities and accelerating growth through on-trend categories and winning concepts. In parallel, we continuously focus on improving our productivity, streamlining processes and organisational structures and on continuous improvement to boost efficiency and achieve industry leading profitability.



Our overall objective of sustainable and profitable growth requires that we deliver on our sustainability agenda. In 2024, we made significant progress, notably in emission reduction, reducing food loss, and enhancing workplace safety. We also advanced our innovation agenda with sustainable solutions like the Fazer Taste the Future chocolate snack bar and the vegan Fazer Taste the Future Oat Choco toffee hearts, utilising okara from oat drink production.

The current economic environment will likely continue to affect private consumption, with consumers remaining cautious and price sensitive also in 2025. However, the strength of the Fazer brand and our quick response to changes make me confident that Fazer is well-prepared for the future. I would like to thank all Fazer employees for their strong contribution to Fazer's good performance, and our customers and other stakeholders for the good cooperation in 2024.

FAZER GROUP'S FINANCIAL PERFORMANCE

Net sales and profitability

Net sales by business area, MEUR

Fazer Confectionery
Fazer Bakery
Fazer Lifestyle Foods
Other and eliminations
Total

	1-12/2024	1-12/2023	Change
Fazer Confectionery	543.1	505.0	8%
Fazer Bakery	452.4	462.6	-2%
Fazer Lifestyle Foods	218.5	237.0	-8%
Other and eliminations	-30.9	-34.5	10%
Total	1,183.1	1,170.1	1%

The Group's January - December 2024 net sales totalled EUR 1,183.1 million (1,170.1). Excluding currency effects, net sales increased by 1% and comparable net sales, excluding the dairy business, increased by 3%. Fazer exited the dairy business in 2023, and all production ended at the end of August 2023. Net sales in Finland decreased by 1% and totalled EUR 740.3 million (746.1), whereas net sales in Sweden increased by 2% to EUR 274.9 million (269.1). Net sales in other countries totalled EUR 167.9 million (154.9), representing an increase of 8% year-on-year. Fazer Confectionery's net sales totalled EUR 543.1 million (505.0), Fazer Bakery's EUR 452.4 million (462.6), and Fazer Lifestyle Foods EUR 218.5 million (237.0).

The Group's January - December 2024 comparable EBITDA increased by 3% and totalled EUR 141.4 million (137.1) or 12.0% (11.7%) of net sales. EBITDA totalled EUR 133.1 million (123.6) and items affecting comparability totalled EUR -8.3 million (-13.5). Comparable operating result increased by 14% and totalled EUR 75.9 million (66.8) or 6.4% (5.7%) of net sales. Operating result totalled EUR 46.0 million (-81.6) and includes items affecting comparability of EUR -29.9 million (-148.4) mainly relating to the restructuring of Plant-Based Drinks' gurt production and the write-down of confectionery factory planning costs. As to the comparison year 2023 EUR -87.5 million relates to goodwill impairments, EUR -46.8 million to property, plant and equipment impairments and write-downs, and EUR -9.6 million to changes in fair values of open electricity derivatives.

January - December 2024 net financial items amounted to EUR -0.6 million (-4.3). The result before taxes increased to EUR 45.4 million (-86.0) and the result for the period totalled EUR 34.7 million (-86.5). Earnings per share totalled 5.07 euro (-12.94) and comparable earnings per share 8.59 euro (7.27).

CASH FLOW AND FINANCIAL POSITION

The Group's January - December 2024 cash flow from operating activities totalled 110.0 million (142.8). The decline of the operating cash flow was mainly due to decreased trade and other payables as well as to the timing of tax payments.

As of 31 December 2024, the Group's cash and cash equivalents amounted to EUR 78.9 million (61.6). Net debt totalled EUR 22.4 million (41.9) and gearing ratio was 3.2% (6.2%). The consolidated balance sheet total amounted to EUR 1,065.6 million (1,045.1). The Group's equity ratio was 64.9% (64.6%).

CAPITAL EXPENDITURE

The Group's January - December 2024 capital expenditure amounted to EUR 54.9 million (45.8). The biggest investment in 2024 related to the consolidation of the Baltic bakery units to Ogre in Latvia, an investment of EUR 14.1 million.

Depreciations and amortisations totalled EUR -65.6 million (-70.3) and impairments and write-downs EUR -21.5 million (-134.9), which mainly relates to the restructuring of Plant-Based Drinks' gurt production in Finland and to the write-down of confectionery factory planning costs. Items affecting comparability in 2023 include EUR -87.5 million goodwill impairments in Fazer Lifestyle Foods and the Xylitol factory, impairments and write-downs of property, plant and equipment totalling EUR -46.8 million which mainly relates to structural changes in oat drinks production and the drawn-out ramp-up of the Xylitol factory.

EMPLOYEES

Personnel by business area, end of period

Fazer Confectionery
Fazer Bakery
Fazer Lifestyle Foods
Other
Total

	2024	2023	Change
Fazer Confectionery	1,664	1,641	1%
Fazer Bakery	2,331	2,320	1%
Fazer Lifestyle Foods	444	471	-6%
Other	325	312	4%
Total	4,764	4,743	0%

At the end of December 2024, Fazer Group had 4,764 FTEs (4,743). Of the Group's personnel, 70% worked in Finland, 19% in Sweden, and 10% in the Baltics, the Group's three largest markets. During the period January - December 2024 the Group had on average 4,885 FTEs (4,870).

In the beginning of the year, Fazer established a new Group Commercial Organisation, GCO, with the aim to support the company's growth agenda with a One Fazer approach. GCO supports Fazer in driving excellence in sales and in building even stronger customer relations with clear and efficient ways of working and synergies between functions and operations.

In April, Fazer Bakery Baltics announced the consolidation of all Baltic bakeries to one unit in Ogre in Latvia. Through this transformation, Fazer is strengthening its positions in the Baltic markets to ensure competitiveness, widen the product assortment into new categories and to be able to further develop export sales. Due to this change, Fazer initiated negotiations that led to the reduction of 185 employees in Kaunas.

Fazer is continuously focusing on improving productivity, streamlining processes and organisational structures and on continuous improvement to boost efficiency and achieve industry leading profitability. In October, Fazer initiated change negotiations concerning the Fazer Services organisation and the HR, Finance, and Communications & Sustainability functions. The aim of the restructuring was to ensure that Fazer's support functions are better aligned, operate as efficiently as possible, and focus even more strongly on supporting the company's businesses and critical operations. The restructuring resulted in the termination of 30 job roles in Finland. Fazer was able to offer new roles to approximately half of the employees with terminated job roles.

To accelerate the growth of its business and to ensure its competitiveness, Fazer Lifestyle Foods announced the transfer of its gurt production to Finnish Food Factory through a business transfer. The business transfer and production move will be completed by the end of August 2025. Through the business transfer, 32 permanent employees currently working at Fazer's Koria factory will move to Finnish Food Factory as existing employees, retaining their current employment terms.

During the year Fazer made good progress in advancing its employer brand in its key markets. In Finland, the Group's ranking according to Universum's student survey improved across all key segments, namely, business, engineering and natural sciences.

Fazer's efforts to differentiate itself as an employer in the Baltics earned a triumph in Latvia, where the company was recognised as the best workplace in the Vidzeme regional awards. To ensure a smooth transition shifting production from Lithuania to Latvia, strengthening the employer brand in the region and targeting potential workers in Ogre, have been prioritised.

In Sweden, Fazer is targeting business students through its partnership and various initiatives with the Stockholm School of Economics. Fazer has established its brand in the country as an innovative and sustainable food experience company through public speaking engagements, stakeholder events, and specific societal campaigns.

Online learning remains a primary method for delivering learning content to Fazer employees and teams. The Group is also committing substantial investments in resources, time, and funding to support its digitalisation transformation. During the year, Fazer hosted several Transformation Forum events discussing among others AI and digitalisation, consumer trends and strategy. These forums provide an excellent platform for the businesses to converge, discuss shared topics, align on significant themes, and gain insights from external speakers.

In 2024, Fazer took significant steps in reducing workplace accidents and in strengthening its dedication to fostering a leadership-driven safety culture. Through a wide range of initiatives, Fazer has aimed at equipping our employees with the knowledge and skills necessary to work safely and efficiently. The latest efforts have built on the launch of the One Fazer Safety Programme, introduced in 2023 to develop a more systematic, disciplined, and consistent safety culture across the company. The reduction of workplace accidents is crucial not only for employee well-being but also for the overall efficiency, quality and productivity of operations.

The number of workplace accidents decreased significantly during the year and as a result, Fazer Group's Lost Time Accident Frequency (LTAF) for the year amounted to 4.0 (5.1).

BUSINESS AREAS

Fazer Confectionery: Strong performance despite challenging market

High and volatile cocoa prices continued to challenge the confectionery markets throughout the year both in Finland and Sweden. In Finland, Fazer's market position remained strong both in the chocolate and in the candy categories, although declining slightly from previous year. The Finnish biscuit market remained challenging and private labels continued to gain shares. Thanks to successful new product launches, in Gifts & Seasonal in particular, Fazer was able to slightly grow its share of the Swedish confectionery market in 2024.

Fazer Confectionery's January – December 2024 net sales increased by 8% compared to the previous year and totalled EUR 543.1 million (505.0). Excluding currency effects, net sales increased by 7%. Fazer Confectionery's performance was strong in 2024 despite of the exceptionally challenging market environment. Throughout the year, timely and focused measures were taken in the business, tackling both strong market competition and high input costs, especially in cocoa, to improve efficiency measures and to continuously develop the offering. In 2024, Fazer launched several novelties, among others the Remix mini candy bags and the Karl Fazer Salty Toffee Crunch praline. Fazer's Gifts and Seasonal offering, a focus area in 2024, with novelties such as Fazer Glögg Jellies in Finland and the Klassiker chocolate praline box in Sweden, was well received. Development in Fazer Retail was positive, whereas biscuit sales continued to be challenged.

Fazer Bakery: High competition in all three markets

In 2024, the Finnish bakery market grew by 1.6% compared to the previous year and although Fazer's market shares were slightly below previous year, the trend turned to growth during the second half of the year. Good demand in Shop-in-Shops, a turnaround in dark bread as well as good sweet bakery product sales supported this development.

Fazer Bakery's January – December 2024 net sales decreased 2% compared to the previous year and totalled EUR 452.4 million (462.6). Excluding currency effects, net sales decreased by 2%. In Finland, net sales grew and Shop-in-Shops performed well. Fazer Bakery Finland successfully turned around the demand for dark bread, boosted by the Puikula rye bread recipe renewal. Demand for sweet bakery products was strong thanks to strong consumer interest in Pullava, whereas demand for white bread was subdued. Despite the opening of two new Shop-in-Shops and solid sales of sweet bakery products and dark portion bread, net sales decreased in Fazer

Bakery Sweden compared to the previous year. Demand remained subdued in Fazer Bakery Baltics and competition was particularly high in the rye and portion bread segments with a high share of promotional activities. To further support competitiveness and as a response to the constantly challenging markets, Fazer Bakery Baltics announced in late April the consolidation of its bakeries to one unit in Ogre in Latvia.

Fazer Lifestyle Foods: Turn-around showing results

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. In all 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 fluctuated and was characterised by high price sensitivity.

Fazer Lifestyle Foods' January – December 2024 comparable net sales, excluding the impact from the exit from the dairy business, increased by 1% compared to the previous year. Net sales decreased 8% compared to the previous year and totalled EUR 218.5 million (237.0). Excluding currency effects, net sales decreased by 8%. The Cereals business net sales clearly increased, and growth was good in the Fruit business as well. After a challenging start to the year, Plant-Based Drinks improved its competitiveness by optimising campaigns, by the introduction of a new recipe for the Barista oat drink and by increasing brand visibility in stores, which improved sales towards the end of the year. Despite this, Plant-Based Drinks net sales decreased compared to the previous year. During the year several structural changes have been made in the business to ensure competitiveness and efficiency. The consolidation of the plant-based drinks production to Tingsryd was successfully completed without disturbances to customer deliveries. The transfer of plant-based gurt production to Finnish Food Factory was announced at year-end. This move strengthens the company's gurt growth strategy, accelerates the turnaround, and opens for international growth opportunities.

SUSTAINABILITY

Fazer develops food as a solution for a more sustainable planet and business. Sustainability is at the very heart of Fazer's business – it is 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.

Fazer's sustainability ambitions underline climate, waste, circular solutions and sustainable sourcing as core considerations in the daily operations. They also highlight the importance of the employees' safety and well-being.

To advance sustainable practices, Fazer cooperates and engages with a variety of stakeholders from educational and research institutions to farmers and NGOs.

2024 HIGHLIGHTS

During 2024, Fazer made good progress in implementing its sustainability agenda and related actions.

An early-year analysis of peers, markets, and regulations highlighted development. Consequently, Fazer refined its Sustainable Products and Innovations ambition and pinpointed two areas needing further focus. In Fazer's product offering most of the CO₂e emissions derive from raw materials and, therefore, reducing emissions upstream to lower product level emissions is important.

Furthermore, the Group formalised its health and nutrition approach to empower individuals to make dietary choices that enhance their well-being. In Climate and Circularity, Fazer aligns with the Science Based Targets initiative (SBTi) to reduce emissions. Actions include transitioning to green district heating and electrifying bakery ovens in Finland and in the Baltics, as well as using biomass-based steam. In 2024, Fazer continued investments to replace fossil fuel with electricity at multiple sites. All the businesses are also improving energy efficiency to further cut emissions.

The Group is firmly focused on reducing food loss by 50% by 2030 compared to a 2020 baseline. In 2024, Fazer achieved an 8% reduction in avoidable food loss compared to previous year and an 13% decrease compared to base year 2020. The dedication to this aim is evidenced by the implementation of food loss as a performance-based bonus target across Fazer Group, supported by monthly follow-up and subsequent analyses at site, business unit, and business area levels.

Efforts toward developing more sustainable packaging materials continued, and during the last quarter of the year, Fazer updated its Sustainable Packaging Vision 2030. The

ambition is to reduce, recycle, and innovate, ensuring that Fazer's packaging integrates into the natural cycle and is designed for the circular economy.

By the end of 2024, Fazer had engaged 53% of its suppliers by spend to commit to the SBTi, aligning with Scope 3 emission targets. Reaching 53% by the end of 2024 means that Fazer reached its SBTi target ahead of the planned schedule, which was by the end of 2025. Fazer identified the need to strengthen its Scope 3 emissions roadmap and accelerate progress. The Group is currently in the process of defining new targets, FLAG and Non-FLAG, as required by SBTi for food companies. In 2024, Fazer also updated its soy policy and approved a new coconut oil commitment. Third-party verification of the Grain Vision programme yielded positive results, and the next version of the programme with updated farmer requirements is currently being developed.

Several initiatives supported progress of People and Well-being goals in 2024. Among others, the Group's anti-harassment policy and country-specific instructions were updated, and an anti-harassment survey was conducted. The safety of the employees is a priority for Fazer, and in 2024, the company performed well. In 2024, the Lost Time Accident Frequency, LTAF, was 4.0 (5.1), clearly better than in previous year.

RESEARCH AND DEVELOPMENT, INNOVATIONS AND SUSTAINABLE PRODUCTS

Fazer Group's research and innovation unit, Fazer Lab, continued the work in the Fazer Upcycled R&D programme. Selected internal projects, that were previously evaluated being the most potential, were actively progressed. Fazer Upcycled aims to discover and develop value-added solutions to utilise food production side streams. The solutions can be new food concepts, new food ingredients, or they can even be used in sustainable non-food applications or as cellular agriculture feedstocks. The ultimate objective of the programme is to innovate means to decrease food loss.

When it comes to Fazer's xylitol factory, production based on oat hulls continues to be challenging. Fazer is focusing on finding suitable alternative solutions and on improving unit processes independent of raw material, and on finding efficiencies to save costs.

As part of a larger consortium with partners and collaborators from Finland and the US, Fazer participated in the National Science Foundation's (NSF) project on *Future Food*

Bioeconomy, with focus on designing new hybrid food ingredients and products combining plant and cellular agriculture ingredients. Within the larger framework, Fazer's own research focuses on pioneering ingredients and products: cocoa alternatives, healthier and more sustainable solutions as sugar replacement and the potential of fermentation-based technologies. The project has received funding from Business Finland.

Within the Taste the Future programme, designed to test new concepts, Fazer launched three products focusing on the future of chocolate.

Fazer's January - December 2024 research and development costs amounted to EUR 10.8 million (10.7).

STRATEGIC DEVELOPMENT

FAZER GROUP STRATEGY

Fazer has undergone a significant transformation during its recent history. Many changes have also occurred in the operating environment over the past few years. Fazer continuously manages and validates its strategy as a response to the continuously evolving environment.

The pillars of Fazer's success remain strong, anchored by a distinguished and strong heritage that has established the company an iconic presence in Finland. International expansion represents a vital cornerstone and underscores Fazer's capacity to adapt and thrive in diverse markets. Innovation lies at the heart of the operations, driving Fazer to pioneer new tastes and to uphold the highest standards of quality.

Fazer is also well-placed in progressive megatrends, positioning itself at the forefront of sustainability, health & wellness, and experiential snacking. These trends resonate with today's consumers and align with Fazer's dedication to creating exceptional products that both delight and nourish.

Fazer's strategic priorities:

- Drive profitable growth as the #1 FMCG in Finland
- Accelerate profitable growth in Sweden
- Grow internationally with clear priorities
- Accelerate growth through on-trend categories and winning concepts
- Improve productivity and expand margins to industry-leading levels
- Advance and enable a results-focused culture
- Develop food as a solution for a more sustainable business

STRATEGIC ACTIVITIES IN 2024

During 2024, Fazer continued to implement its strategy and engaged in several strategic initiatives.

- In April, Fazer Bakery Baltics announced the consolidation of its bakeries to one unit in Ogre in Latvia. Through this transformation, Fazer seeks to strengthen its positions in the Baltic markets, to ensure competitiveness, to widen the product assortment into new categories and to be able to further develop export sales. The transformation is expected to be completed in the beginning of 2025.
- In April, the Finnish government announced its plans to apply a VAT increase on confectionery products. The planned increase impacts Fazer's confectionery business and consequently investment plans in Finland, including the planned investment in a new confectionery factory. The proposal for the new factory was initially scheduled for June 2024. Due to the proposed VAT increase, the investment decision process has been halted in order to analyse a broad scale of alternative solutions for the project.
- In the autumn, the transfer of the oat drink production from Koria in Finland to Tingsryd in Sweden, announced in the end of 2023, was completed. The completion was successful without any disruptions to customer deliveries.
- In October, Fazer opened two new Fazer Cafés in the capital region in Finland, following the opening of a new Fazer Café in Tampere earlier in the spring.
- Fazer established its Shop-in-Shop bakery concept in Sweden in 2023 and opened two new Shop-in-Shops in the Stockholm area during 2024, with several new openings in the pipeline for 2025. In Finland, four new Shop-in-Shops were opened and four closed, totalling 139 at the end of the year. At the end of the year the Group had 154 Shop-in-Shops in Finland, Estonia and Sweden.
- As a further step in the focused transformation programme on-going in Fazer Lifestyle Foods, Fazer announced in November the transfer of its gurt production in Koria, Finland, to Finnish Food Factory through a business transfer agreement. The aim of the transfer is to further develop the capabilities of the gurt production and to drive possibilities for growing the exports of the Fazer Aito gurts. The transfer of business and production will take place by the end of August 2025.
- As part of Fazer Bakery Finland's consumer-centric strategy, Fazer is building a new, energy-efficient production line in the Lahti bakery to grow its baking capacity. 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, and the first trial runs have been executed. The line is expected to be operational in 2025.

- In December, Fazer announced its decision to centralise warehouse operations for Sweden, Norway, and Denmark into a modern facility in Eskilstuna, Sweden. By consolidating logistics in Scandinavia for the confectionery and Fazer Lifestyle Foods' Fruit and Plant-Based Drinks businesses, Fazer aims to streamline its supply chain, reduce transportation inefficiencies, and optimise inventory management. The transition supports Fazer's sustainability goals by significantly reducing fossil fuel emissions from transportation and by lowering energy consumption through optimised logistics flow, with the new set-up planned to go live in April 2025.
- During the year, Fazer's strong brand and reputation was once again recognised. Fazer was named Finland's second most reputable company in 2024. Finns have named Fazer as one of Finland's most reputable companies for twelve consecutive years according to the Reputation & Trust survey.
- During the year, Fazer continued driving its ambitious innovation agenda with special focus on sustainable solutions, such as the future of chocolate. In the beginning of the year, Fazer introduced a unique chocolate snack bar, Fazer Taste the Future, powered by Solein®, in Singapore. It was the first ever packed consumer product where Solein® was used. Later in the spring, Fazer launched the vegan Fazer Taste the Future Oat Choco toffee hearts that utilise okara, a side stream of oat drink production and surplus from confectionery production.
- During the year, Fazer also took decisive steps to deliver upon its sustainability targets. In early spring, Fazer Bakery Finland and the Nordic energy company Gasum signed a letter of intent in order to draft a plan for the role of renewable gas in reducing emissions created by Fazer's bread transport and production. In late May, Fazer opened a new Fazer Shop in Lappeenranta, Finland, piloting a concept for among others reducing food waste by selling directly to consumers products that would otherwise go to waste. In line with its ambitious emissions reduction targets, Fazer announced in late October that it will electrify steam production at the Lappeenranta confectionery factory. With electrification, the factory's CO₂ emissions will be reduced by approximately 90% annually, and the emissions of Fazer Group by over 10%. The electrification work will begin in the first half of 2025.

RISKS AND UNCERTAINTIES

Fazer evaluates and analyses the Group's strategic, operational, and financial risks at least twice a year within the framework of its risk management policy and takes action to mitigate these risks. The risk management process is described in the 2024 Corporate Governance report.

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 the 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 to increases in the cost of raw and packaging materials, commodities, or logistics. This 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 alternative suppliers to mitigate risk. Procurement at Fazer Group strives to proactively mitigate risks associated with pricing, quality, capacity, availability, and other requirements and to understand geographical dependencies. In 2024, the availability issues and prices of Fazer's key raw material cocoa have escalated with all-time high prices as a result. Fazer Confectionery has taken several actions to mitigate the risk, including hedging cocoa price risk, changing product prices, exploring alternative geographies for cocoa supplies, and making product portfolio, recipe and ingredient changes. Mitigating activities and closely monitoring the development remain top priorities of management. Fazer hedges against cocoa and other commodity price fluctuations according to approved hedging policies.

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 to 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 to adapt to a rapidly changing marketing and media environment,

including increasing reliance on established and emerging social media and online platforms. In 2024, Fazer's reputation remained strong, and it was elected the second most reputed company brand in Finland.

ENERGY

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

In 2024, the energy markets stabilised. 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 broaden the use of energy sources, increase energy efficiency and reduce emissions.

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 well in employer surveys in Finland and has succeeded in attracting talented people. In other countries, 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.

The Finnish food industry's collective agreement expires in the beginning of 2025. Negotiations will start gradually from the end of the year and might lead to unrest in production and potentially significant salary increases in early 2025.

CONSUMER DEMAND, PRODUCTS, AND INNOVATIONS

Factors that could lead to a decrease in demand for Fazer's products include changing consumer preferences, Fazer's failure to develop and expand its brand portfolio while creating demand in growing categories outside Finland, innovation cycles longer than those of competition, and high price perception. Fazer continuously monitors consumer preferences and trends in close cooperation with its retail customers. The company also looks for opportunities to invest and to expand in growth categories with a continuous focus on

portfolio, novelties and innovations and on meeting consumer expectations.

During the past year, competition from private labels and branded products has further intensified in all Fazer's markets, and several international players have entered the markets. At the same time, high input prices and the price of cocoa in particular have clearly increased the share of campaigning.

SUSTAINABILITY

Sustainability is embedded in Fazer Group's and its Business Areas' 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 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, 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.

In April 2024, the Finnish government announced its proposal to significantly increase the Value Added Tax, VAT, on confectionery products, chocolates and chocolate covered waffles. The planned increase would adversely impact Fazer's confectionery business. The proposal is in direct conflict with the principle of neutrality, which is central to the VAT system harmonised by EU regulation. The planned change would steer consumers' purchasing behaviour in a way that distorts competition, it would treat similar products unjustifiably and unfairly differently from the perspective of the average consumer, and lead to arbitrary application practices.

If chocolate and confectionery products are transferred to the higher VAT class, it could negatively impact Fazer's future expansion plans, and its chocolate factory investment in

particular. Consequently, the investment decision process has been halted in order to analyse a broad scale of alternative solutions for the project. If approved, the VAT increase would be applied from summer 2025.

The high amount of unclear EU regulation relating to environmental and sustainability issues, such as the European Union Deforestation Regulation (EUDR), currently being implemented, increases Fazer's administrative burden and takes focus away from the important high impact sustainability work.

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, constantly improving its operational efficiency, active management of customer relationships and through the 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.

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, which would meet future consumer expectations, improve efficiency, 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.

CYBER RISKS

The current geopolitical environment and the dependency of operations on ICT infrastructure significantly increase ICT and cyber-related risks. ICT related challenges could quickly lead to production or delivery disruptions, inefficiencies, loss of sensitive information or data breaches, which again would harm Fazer's operations, reputation and customer relations. Fazer recognises that changes and new requirements from

various EU-based directives, such as the NIS2 Directive, are continuously evolving. These directives impose new obligations on companies, necessitating ongoing adjustments to cybersecurity strategies and practices.

Risks related to information security are mitigated by actions lead by Fazer Group ICT in cooperation with the Information Security Forum consisting of business representatives. The key focus areas include business continuity and disaster recovery planning with comprehensive plans in place to quickly recover and maintain operations in the event of disruptions. Regular vulnerability scans are conducted to identify and address any potential vulnerabilities in the systems. Regular employee awareness training also plays an important role in mitigating risks. Additionally, annual evaluations of the information security of business-critical vendors are conducted as part of third-party risk management efforts.

HAZARD RISKS

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

FINANCIAL RISK MANAGEMENT

The Group is exposed to various financial risks, such as foreign exchange risks, commodity price 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.

SHORT-TERM RISKS AND UNCERTAINTIES

During the year, the availability issues and prices of Fazer's key raw material cocoa have escalated with all-time high prices as a result. High input costs and consequent price increases could impact consumer demand adversely. Fazer Confectionery has taken several actions to mitigate the risk, including hedging cocoa price risk, changing product prices, exploring alternative geographies for cocoa supplies and making product portfolio, recipe and ingredient changes. Mitigating activities and monitoring the development closely remain top priorities of management. Fazer hedges against cocoa and other commodity price fluctuations according to approved hedging policies.

During the past year, competition from private labels and branded products has further intensified in all Fazer's markets, and several international players have entered the markets. At the same time, high input prices, and cocoa in particular, have clearly increased the share of campaigning. Should the share of campaigns increase considerably, it could negatively impact Group profitability.

The Finnish food industry's collective agreement expires in the beginning of 2025. Negotiations will start gradually and might lead to unrest and strikes in production and potentially significant salary increases in early 2025. Fazer engages in a continuous dialogue with employees and labour representatives in order to build mutual trust and engagement.

The global geopolitical tensions could have a negative impact on raw material availability and pricing and at worst also further weaken economic growth in the eurozone, with negative consequences for real income, purchasing power and demand.

The Finnish government's proposal to reclassify chocolate and candy to a higher VAT category increases uncertainty. The change could steer consumers' purchasing behaviour between different product categories in a way that considerably distorts competition and thereby, could adversely affect Fazer's business, financial performance and ability to invest.

GOVERNANCE

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Oy Karl Fazer Ab's Annual General Meeting was held on 21 March 2024 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, Juhani Mäkinen and Laura Tarkka were re-elected to the Board of Directors and Katharina Stenholm was elected as a new member of the Board of Directors.

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

FAZER LEADERSHIP TEAM

Fazer announced in February 2024 that Jukka Erlund had been appointed Chief Financial Officer (CFO) for Fazer Group and a member of the Fazer Leadership Team. He assumed his position 1 June 2024. In May 2024 Fazer announced that Tero Tynkkynen was appointed Chief Commercial Officer (CCO) and a member of the Fazer Leadership Team. He assumed his position 7 July 2024.

On 31 December 2024, the Fazer Leadership Team consisted of Christoph Vitzthum (President and CEO), Aaron Barsness (CMO), Jukka Erlund (CFO), Jenni Gallagher (CHRO), Sebastian Jägerhorn (Legal & Compliance), Joséphine Mickwitz (Communications & Sustainability), Lara Saulo (Fazer Confectionery), Tero Tynkkynen (CCO) and Krister Zackari (Fazer Lifestyle Foods).

EVENTS AFTER THE REPORTING PERIOD

On 20 January 2025 Fazer announced its intention to initiate change negotiations in its confectionery and milling businesses on production and economic grounds. In Fazer Confectionery, the change negotiations concern a total of 153 salaried employees and senior salaried employees within production, and the planned changes may lead to the termination of a maximum of 14 permanent employments. In the Cereals business unit, the change negotiations concern 191 employees in Finland and in Sweden and the planned changes may lead to the termination of a maximum of 9 permanent employments in Finland, and may also affect the number of employees in Sweden.

OUTLOOK 2025

Fazer's net sales are expected to remain stable or grow slightly compared to 2024, however with growing risks related to cocoa pricing as well as the proposed confectionery VAT increase. With the structural changes and efficiency measures taken in 2024 and 2025, and Fazer's ability to respond swiftly to market changes, Fazer expects the comparable operating result to improve in 2025.

Vantaa, 12 February 2025

Oy Karl Fazer Ab



fazergroup.com