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ÅRSREDOVISNING

2022-01-01 - 2022-12-31

för

Fazer Sweden AB

556295-4486

Fastställelseintyg

Undertecknad verkställande direktör i Fazer Sweden AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman den 23 05 26 Årstämman beslutade att godkänna styrelsens förslag till hur förlusten ska disponeras.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Stockholm den 9/6 2023

Mats Liedholm, Verkställande Direktör

Årsredovisningen omfattar: **Sida**

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ÅRSREDOVISNING

2022-01-01 - 2022-12-31 för

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✔ **Signerat** 2023-03-16 07:58:39 UTC

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ÅRSREDOVISNING FÖR FAZER SWEDEN AB

Styrelsen och verkställande direktören för Fazer Sweden AB avger härmed årsredovisning för räkenskapsåret 2022-01-01 - 2022-12-31.

FÖRVALTNINGSBERÄTTELSE

Information om verksamheten

Fazer Sweden AB verkar inom svensk livsmedelshandel där bolaget marknadsför och säljer produkter inom bl.a. konfektyr-, bak-, smoothie- frukost och matgrynssegmenen under framgångsrika varumärken som Dumle, Geisha, Karl Fazer, Ögon, Tutti Frutti, Froosh och Frebaco Kvarn. Inom frukost- och matgrynssegmenten sker även försäljning av Private Label artiklar. Kunderna utgörs av de stora dagligvaruhandelskedjorna, den svenska servicehandeln av övrig detaljhandel. Inom smoothiesegmentet sker en viss exportförsäljning till distributörer på Island, i Tyskland, Estland, Lettland och i Litauen samt till Fazer Finland Oy. Slutligen säljer Fazer Sweden AB vissa delar av sina konfektyr-, smoothie- och växtbaserade produkter i Danmark, Norge och Polen genom dotterbolag.

Produktion av mjöl, havregryn, müsli mfl spannmålsprodukter sker i Lidköping och en stor del av denna försäljning utgörs även av försäljning till industrin (B2B). Vad gäller konfektyrsegmentet säljer Fazer Sweden AB, i Sverige samt i Norge legotillverkade produkter, till Fazer Makeiset Oy.

Inom Fazer Sweden AB finns även hantverksbageriet Gateau som har sin tillverkning i Lund och Stockholm. Dessa bageri- och konditoriprodukter säljs via egna butiker runt om i landet. Försäljning av Gateaus varor sker även till butiker i dagligvaruhandeln samt i matbutiker på nätet.

Ägarförhållanden

Bolaget ingår i den finska koncernen Oy Karl Fazer Ab, org.nr 0202669-3, med säte i Helsingfors. Oy Karl Fazer Ab upprättar koncernredovisning för hela koncernen.

Fazers verksamhet i Sverige i stort

Inom Sverige bedrivs det inom Fazerkoncernen också verksamheter via Fazer Bageri AB och Trensum Food AB.

Verksamheten under räkenskapsåret samt väsentliga händelser

Under 2022 har bolagets totala försäljningsökning ökat vilket dels förklaras av att svenska samhället mer eller mindre öppnade upp i mars 2022 och de sk. Covid-restriktionerna upphörde. Detta innebar bland annat en ökad rörelse i samhället och en ökad trafik av konsumenter inom servicehandeln- och restaurangkanalen vilket påverkat försäljningen positivt inom dessa kanaler. En annan starkt bidragande orsak till den starka försäljningstillväxten utgörs av de prisjusteringar som har genomförts för att motverka den höga kostnadsutvecklingen från råvaror, energi och transporter samt en svagare svensk valuta som framför allt har påverkat verksamheten under det andra halvåret.

Fazer Sweden AB:s största försäljningssegment utgörs av konfektyrsegmentet. Den svenska konfektyrmarknaden för förpackat godis har under året tappat 2.2% i volym samtidigt som Fazer senaste året har haft en knapp volymtillväxt och därmed tagit marknadsandelar sett till såväl volym som värde. Fazer har ökat sin försäljning av förpackat godis inom såväl dagligvaruhandeln, servicehandeln samt inom övrig detaljhandel. Utöver detta har konfektyrförsäljningen utvecklats positivt under året inom lösviktsgodis där volymerna har ökat med 18%. En produktinnovation värd att lyfta är den växtbaserad chokladkakan, Oat Choco, som Fazer lanserade hösten 2022 och som riktar sig till en helt ny målgrupp.

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Försäljningen av smoothies under varumärket Froosh har under 2022 ökat i volym jämfört med 2021, där den främsta tillväxten kommer från en ökad försäljning till servicehandeln och grossister inom restauranghandeln tack vare att samhället öppnade upp våren 2022. Inom dagligvaruhandeln kan en positiv försäljningsutveckling också ses vilken framför allt genererats utifrån ett starkt distributionsarbete i butik av Froosh. Den totala försäljningsökningen av Froosh kommer framför allt från kvartal 1-3 2022. Kvartal 4 backat något i volym vilket främst förklaras av att den totala marknaden för smoothies har backat det sista kvartalet som ett resultat av den höga inflationen där smoothies inte är ett prioriterat segment för konsument. Även inom exportverksamheten av smoothies är det en positiv volymtillväxt. Denna påverkas framför allt av att Fazer Norge AS tar marknadsandelar under 2022 samt att en ny irländsk distributör har öppnat upp för nya geografiska marknader för Froosh.

Försäljningen av produkter inom frukostsegmentet har också sett en volymökning, främst kopplat till ökade volymer av müslis och granola under varumärket Frebaco, samt av handelns egna märkesvaror. Likaså har nya affärer såväl inom Sverige samt till exportmarknader inom B2B sortimentet bidragit Fazer Swedens totala försäljningstillväxt.

Inom segmentet havredrycker har lanseringen under hösten 2021 av Dumle Havredryck fortsatt att driva på en stark försäljningstillväxt under hela 2022 och en ny mindre on-the-go storlek lanserades under året som ett komplement.

2022 har för Gateaus del inneburit en kraftigt ökad försäljning jämfört med föregående år. Detta förklaras med ökad volym i trafiknära butiker i takt med att pandemin klingat av samt öppnandet av två nya butiker, en i Uppsala och en på Lidingö. Utöver den starka försäljningen har verksamheten även gjort stora effektivitetsförbättringar i driften av produktionen och i butikerna.

Inom Fazers Swedens samtliga verksamheter inleddes året vidare med att åtgärder för att minska smittspridningen kopplat till corona låg kvar. De viktigaste var besöksförbud i produktionslokaler och att rutiner implementerats med utspridda raster för att minska närhet. Tjänstemän arbetade under hela kvartal 1 hemifrån i största möjliga mån och i butik har säljarna delvis fått anpassa sitt arbete. Efter kvartal 1 har verksamheten återgått till ett mer normalläge. Utifrån ett marknadsföringsperspektiv kunde exempelvis produktdemonstrationer i butik och deltagande på festivaler återigen återupptas under sommaren och hösten 2022 vilket också har haft ett positivt utfall på försäljningen inom flertalet segment.

Under sommaren 2022 flyttade Fazer Sweden AB sitt huvudkontor till nya lokaler på Dalagatan 100 vid Norrtull i Stockholm.

Vissa delar av verksamheten har under året genomgått större organisationsförändringar i syfte att optimera processer både inom Fazer Sweden AB, och inom hela Fazerkoncernen.

Flerårsjämförelse (tkr)

	2022	**2021**	**2020**	**2019**	**2018**
Nettoomsättning	1 660 427	1 383 535	692 438	697 245	543 542
Resultat e. finansiella poster	-100 783	-112 216	-152 010	-219 226	65 342
Balansomslutning	928 230	917 962	1 039 071	662 242	407 242
Soliditet (1)	27 %	38 %	25 %	58 %	41 %
Avkastning på eget kapital (1)	-40,2%	-32,3%	-58,1%	-56,6%	39,2%

(1) Definitionerna av nyckeltalen framgår av redovisningsprinciper

Hållbarhetsupplysningar

Hållbarhetsrapport upprättas av Oy Karl Fazer AB (organisationsnummer 0206339-3 med säte i Helsingfors, Finland) i avsnittet gällande företagsansvar i Fazer-koncernens årsredovisning 2022.

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Miljöpåverkan

Bolaget bedriver anmälningspliktig verksamhet enligt miljöbalken. Anmälningsplikten avser befintliga siloanläggningen i fastigheten Marmorn 2 i Lidköping. Den anmälningspliktiga verksamheten motsvarar 100 % av Fazer Kvarns nettoomsättning, totalt 486msek. Bolagets verksamhet påverkar den yttre miljön huvudsakligen genom utsläpp i luften samt genom resursförbrukning i form av el, vatten och bränslen.

Bolaget är certifierat enligt FSSC 22000 (nr 194824-2016-FSMS-SWE-RvA).
Bolagets miljöledningssystem är certifierat enligt ISO 14001:2015 (nr 2005-SKM-AE-1045) och kvalitetsledningssystemet är certifierat enligt ISO 9001:2015 (nr 2005-SKM-AQ-2251).

Hållbarhetsrapport upprättas på koncernnivå.

Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser har skett efter räkenskapsårets slut.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Fazer Sweden AB verkar på en marknad som för stunden befinner sig i en stor osäkerhet med en ökande inflation och en stor kostnadsökning på råvaror, insatsvaror samt energi och transporter. Detta påverkar såväl hela branschen som bolagets enskilda verksamheter och förväntningarna är att denna volatila period kommer fortsätta en bra bit in i 2023. Vissa delar av inköpen påverkas även kraftigt av den svaga svenska kronan. En majoritet av bolagets alla inköp av färdigvaror när det gäller konfektyr samt av råmaterial när det kommer till produktion av smoothies, sker i euro. En ev. ytterligare försvagning av svenska kronan under 2023 är därmed en stor riskfaktor inom framför allt dessa segment.

Fazer Sweden AB har vidare dotterbolag i Norge och Danmark som köper färdigvara av moderbolaget i sin lokala valuta. Detta gör att koncernen är exponerad för valutarisker vilket kan påverka resultatet, eget kapital och kassaflöde negativt.

Försäljningsutvecklingen inom Fazer Sweden AB förutspås att under 2023 att öka. Drivkrafterna bakom detta utgörs dels av högre priser in till handeln. En annan viktig drivkraft kommer att utgöras av nyhetslanseringar som förväntas att bredda bolagets portfölj. Den ökade försäljningen spås kunna motverka en stor del av de ökade kostnaderna som finns inom hela värdekedjan.

Förslag till vinstdisposition (tkr)

Till årstämmans förfogande står följande vinstmedel	
Balanserat resultat	328 435
Årets resultat	-96 031
	232 404
Styrelsen och verkställande direktören föreslår att	
i ny räkning balanseras	232 404
	232 404

Beträffande bolagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkningar samt tilläggsupplysningar. Alla belopp uttrycks i KSEK där ej annat anges.

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RESULTATRÄKNING

Belopp i tkr	Not	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Rörelsens intäkter mm			
Nettoomsättning	2	1 660 427	1 383 535
Övriga rörelseintäkter		91 024	87 355
		1 751 451	**1 470 890**
Rörelsens kostnader			
Råvaror och förnödenheter	2	-1 093 525	-875 014
Övriga externa kostnader	3,4	-418 335	-384 527
Personalkostnader	5	-262 511	-241 843
Avskrivningar	6	-68 340	-60 893
Rörelseresultat		**-91 260**	**-91 387**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	7	0	-11 864
Övriga ränteintäkter och liknande resultatposter	8	3 396	407
Räntekostnader och liknande resultatposter	9	-12 919	-9 372
Resultat efter finansiella poster		**-100 783**	**-112 216**
Bokslutsdispositioner	10	0	9 476
Skatt på årets resultat	11	4 752	4 695
ÅRETS RESULTAT		**-96 031**	**-98 045**

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BALANSRÄKNING

Belopp i tkr	Not	31.12.2022	31.12.2021
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Immateriella tillgångar	12	814	1 436
Goodwill	13	197 771	240 635
		198 585	**242 071**
Materiella anläggningstillgångar			
Byggnader och mark	14	95 890	98 280
Förbättring av annans fastighet	15	11 804	10 059
Maskiner och andra tekniska anläggningar	16	139 706	146 989
Pågående nyanläggningar	17	1 426	7 180
		248 826	**262 508**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	18	48 779	48 779
Uppskjutna skattefordringar	19	667	511
Andra långfristiga fordringar	20	3 286	2 672
		52 732	**51 962**
Summa anläggningstillgångar		**500 143**	**556 541**
Omsättningstillgångar			
Varulager			
Råvaror och förnödenheter		72 352	50 901
Färdiga varor och handelsvaror		42 709	33 080
		115 061	**83 981**
Kortfristiga fordringar			
Kundfordringar		161 185	140 947
Fordringar hos moderbolag	21	120 285	82 689
Fordringar hos koncernföretag		11 329	36 877
Aktuella skattefordringar		3 306	3 394
Övriga fordringar	22	9 920	6 714
Förutbetalda kostnader och upplupna intäkter	23	7 001	6 718
		313 026	**277 339**
Kassa och bank		0	101
Summa omsättningstillgångar		**428 087**	**361 421**
SUMMA TILLGÅNGAR		**928 230**	**917 962**

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BALANSRÄKNING

Belopp i tkr	Not	31.12.2022	31.12.2021
EGET KAPITAL OCH SKULDER			
Eget kapital			
Bundet eget kapital			
Aktiekapital		1 000	1 000
Reservfond		200	200
		1 200	**1 200**
Fritt eget kapital			
Aktieägartillskott		500 000	500 000
Balanserad vinst eller förlust		-171 565	-73 520
Årets resultat		-96 031	-98 045
		232 404	**328 435**
Summa eget kapital		**233 604**	**329 635**
Obeskattade reserver	24	**21 904**	**21 904**
Avsättningar			
Avsättningar för pensioner och liknande förpliktelser	25	2 607	1 995
Uppskjuten skatteskuld		21 127	25 732
Övriga avsättningar		5 313	5 054
		29 047	**32 781**
Långfristiga skulder	26		
Skulder till koncernföretag		393 557	0
		393 557	**0**
Kortfristiga skulder			
Leverantörsskulder		115 653	104 624
Skulder till koncernföretag		20 858	322 786
Övriga skulder		18 459	15 448
Upplupna kostnader och förutbetalda intäkter	27	95 148	90 784
		250 118	**533 642**
SUMMA EGET KAPITAL OCH SKULDER		**928 230**	**917 962**

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Förändringar i eget kapital

Belopp i tkr

	Bundet eget kapital		Fritt eget kapital	
	Aktie-kapital	**Reserv-fond**	**Balanserad vinst**	**Summa eget kapital**
Eget kapital 1.1.2021	1 000	200	236 520	237 720
Fusionresultat			-310 040	-310 040
Aktieägartillskott			500 000	500 000
Årets resultat			-98 045	-98 045
Eget kapital 31.12.2021	1 000	200	328 435	329 635
Årets resultat			-96 031	-96 031
Eget kapital 31.12.2022	1 000	200	232 404	233 604

1 000 st aktier med ett kvotvärde motsvarande 1 000 kronor.

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KASSAFLÖDESANALYS

Belopp i tkr	Not	2022-01-01 2022-12-31	2021-01-01 2021-12-31
Den löpande verksamheten			
Rörelseresultat före finansiella poster		-91 260	-91 387
Justeringar för poster som inte ingår I kassaflödet	28	68 953	62 349
Resultat avyttring av anläggningstillgångar	28	-982	754
		-23 289	**-28 284**
Erhållen ränta		34	0
Erlagd ränta		-9 847	-9 463
Betald inkomstskatt		-4 309	-4 377
Kassaflöde från den löpande verksamheten före förändringar i rörelsekapital		**-37 411**	**-42 124**
Kassaflöde från förändringar i rörelsekapital			
Minskning(+)/ökning(-) av varulager		-31 081	-11 444
Minskning(+)/ökning(-) av rörelsefordringar		-31 467	-25 780
Minskning(-)/ökning(+) av rörelseskulder		-99 339	47 578
Kassaflöde från den löpande verksamheten		**-199 298**	**-31 770**
Investeringsverksamheten			
Förvärv av materiella anläggningstillgångar		-12 173	-114 209
Försäljning av materiella anläggningstillgångar		2 000	0
Förvärv av immateriella anläggningstillgångar		-17	-77
Förvärv av övriga finansiella anläggningstillgångar		-613	4 174
Kassaflöde från investeringsverksamheten		**-10 803**	**-110 112**
Finansieringsverksamheten			
Upptagna lån		210 000	0
Amortering av skuld		0	-358 491
Erhållet aktieägarstillskott		0	500 000
Kassaflöde från finansieringsverksamheten		**210 000**	**141 509**
Årets kassaflöde		**-101**	**-373**
Likvida medel vid årets början		**101**	**474**
Likvida medel vid årets slut	29	**0**	**101**

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TILLÄGGSUPPLYSNINGAR

Redovisningsprinciper

Bolaget tillämpar samma redovisningsprinciper som förra året. Årsredovisningen har upprättas i enlighet med årsredovisningslagen och enligt Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Följande värderings- och omräkningsprinciper är tillämpade i årsredovisningen:

Finansiella intrument

Finansiella instrument redovisas i enlighet med reglerna i K3 kapitel 11, vilket innebär att värdering sker utifrån anskaffningsvärde.

Finansiella instrument som redovisas i balansräkningen inkluderar värdepapper, kundfordringar och övriga fordringar, kortfristiga placeringar, leverantörsskulder och låneskulder. Instrumenten redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor.

Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten.

Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Intäkter

Försäljning av varor redovisas när väsentliga risker och fördelar övergår från säljare till köpare I enlighet med försäljningsvillkoren. Försäljningen redovisas efter avdrag för moms och rabatter.

Leasing

Samtliga leasingavtal redovisas som operationella leasingavtal, vilket innebär att leasingavgiften fördelas linjärt över leasingperioden. Operationella leasingavtal innehållar hyror av lokaler, leasing av inventarier och leasing av bilar.

Skatter

Periodens skattekostnad eller skatteintäkt består av aktuell och uppskjuten skatt. Aktuell skatt är den skatt som beräknas på det skattepliktiga resultatet för en period. Uppskjuten skatt beräknas utifrån den s.k. balansansatsen, vilket innebär att en jämförelse görs mellan redovisade och skattemässiga värden på bolagets tillgångar respektive skulder. Skillnaden mellan dessa värden multipliceras med aktuell skattesats, vilket ger beloppet för den uppskjutna skattefordringen/-skulden. Uppskjutna skattefordringar redovisas i balansräkningen i den omfattning det är sannolikt att beloppen kan utnyttjas mot framtida skattepliktiga resultat.

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Anläggningstillgångar

Materiella och immateriella anläggninstillgångar redovisas till anskaffningsvärde minskat med ackumulerade

Följande avskrivningsplaner har tillämpats:	Nyttjandeperiod
Produktions- och siloanläggning	10-20 år
Produktionsinventarier	5-10 år
Immateriella tillgångar	3-5 år
Goodwill	10 år
Industribyggnad	25 år
Markanläggningar	10-20 år
Datorer och elektronik	3-5 år

Skillnaden mellan avskrivningar enligt plan och bokförda avskrivningar är redovisade som bokslutsdisposition.

Varulager

Varulagret värderas till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet enligt FIFU principen. Här tillämpas individuell värdering där man löpande under årets gång värderar om varulagret baserat på verkligt värde, med denna beräkningsmetod räknas inte eventuellt svinn, så kallad inkurans.

Anskaffningsvärdet av egentillverkade färdigvaror har beräknats till varornas tillverkningskostnader inklusive skälig andel av indirekta tillverkningsomkostnader.

Fordringar

Fordringar är redovisade till det belopp varmed de beräknas inflyta.

Fordringar och skulder i utländsk valuta

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs och orealiserade kursvinster och kursförluster ingår i resultatet.

Pensioner

Pensioner redovisas som avgiftsbestämd plan och kostnadsförs löpande under året.

Kassaflödesanalys

Kassaflödesanalysen upprättas enligt indirekt metod. Det redovisade kassaflödet omfattar endast transaktioner som medför in- eller utbetalningar.

Nyckeltalsdefinitioner

Soliditet
Eget kapital och obeskattade reserver (med avdrag för uppskjuten skatteskuld) i förhållande till balansomslutningen.

Avkastning på eget kapital
Resultat efter finansiella poster i förhållande till eget kapital och obeskattade reserver (med avdrag för uppskjuten skatt).

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Not 1 Uppskattningar och bedömningar

Vid upprättande av bokslut görs uppskattningar och bedömningar om framtiden som påverkar redovisade värden för tillgångar, skulder, intäkter och kostnader samt övrig information. Det verkliga värdet kan avvika från uppgjorda uppskattningar och bedömningar. Framtida händelser kan komma att ändra grunden för gjorda uppskattningar och bedömningar. Vår bedömning är att inga väsentliga risker finns som kan medföra en väsentlig justering av redovisade värdena för tillgångar och skulder under nästa räkenskapsår. Den goodwill som har uppstått i samband med fusionen innefattar även kundrelationer och varumärken. Bolaget förväntar sig intäkter i relation till dessa under en längre period och avskriver därför goodwillen linjärt under 10 år. Detta är även i enlighet med Fazer-koncernens redovisningsprinciper.

Not 2 Uppgift om inköp och försäljning inom samma koncern, mm

Den största koncernen som bolaget tillhör (Oy Karl Fazer Ab med dotterföretag)	**2022**	**2021**
Av bolagets försäljning avser försäljning till andra koncernföretag	8,7%	7,2%
Av bolagets inköp avser inköp från andra koncernföretag	51,0%	50,7%

Not 3 Ersättning till revisorerna

	2022	**2021**
PwC		
Revisionsuppdrag	652	723
Övriga tjänster	0	12
Summa	**652**	**735**

Med revisionsuppdrag avses granskningen av årsredovisningen och bokföringen samt styrelsens och verkställande direktörens förvaltning, övriga arbetsuppgifter som det ankommer på bolagets revisorer att utföra samt rådgivning eller annat biträde som föranleds av iakttagelser vid sådan granskning eller genomförande av sådana övriga arbetsuppgifter.

Not 4 Operationella leasingavtal

Framtida minimileaseavgifter som ska erläggas avseende icke uppsägningsbara leasingavtal:	**2022**	**2021**
Förfaller till betalning inom ett år	16 285	11 689
Förfaller till betalning senare än ett men inom 5 år	36 151	22 491
Förfaller till betalning senare än fem år	10 146	13 484
Summa	**62 582**	**47 664**
Under året kostnadsförda leasingavgifter	23 660	20 989

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Not 5 Personal m.m.

	2022	2021
Medelantalet anställda med fördelning på kvinnor och män		
Kvinnor	175	206
Män	163	111
Totalt	**338**	**317**

	2022-12-31	2021-12-31
Styrelseledamöter och ledande befattningshavare		
Kvinnor:		
Andra ledande befattningshavare	3	2
Män:		
styrelseledamöter	3	3
Verkställande direktör och andra ledande befattningshavare	1	1
Totalt	**7**	**6**

	2022	2021
Löner, andra ersättningar och sociala kostnader		
Styrelsen och VD	3 956	3 282
Övriga anställda	174 178	160 541
Totala löner och ersättningar	**178 134**	**163 823**
Sociala kostnader enligt lag och avtal	58 383	53 134
Pensionskostnader	20 640	20 180
Totala löner, andra ersättningar och sociala kostnader	**257 157**	**237 137**

Av bolagets pensionskostnader avser 834 tkr (fg år 831 tkr) gruppen styrelse och VD.

Avtal om avgångsvederlag uppgående till högst 6 månadslöner har träffats med VD och en annan person i företagets ledning.

Not 6 Avskrivningar, nedskrivningar och återföringar

	2022	2021
Immateriella tillgångar	-639	-1 088
Goodwill	-42 864	-42 864
Byggnad och markanläggningar	-4 818	-1 719
Förbättring av annans fastighet	-2 867	-1 338
Maskiner, inventarier och andra tekniska anläggningar	-17 152	-13 884
Summa	**-68 340**	**-60 893**

Not 7 Resultat från andelar i koncernföretag

	2022	2021
Nedskrivningar	0	-11 864
Summa	**0**	**-11 864**

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Not 8 Övriga ränteintäkter och liknande resultatposter

	2022	2021
Ränteintäkter från koncernbolag	194	0
Övriga intäkter	7	0
Valutakursvinster	3 195	407
Summa	**3 396**	**407**

Not 9 Räntekostnader och liknande resultatposter

	2022	2021
Räntekostnader till koncernföretag	-9 562	-8 893
Räntekostnader till övriga	-4	-3
Valutakursförluster	-3 353	-476
Summa	**-12 919**	**-9 372**

Not 10 Bokslutsdispositioner

	2022	2021
Upplösning av periodiseringsfond	0	9 476
Summa	**0**	**9 476**

Not 11 Skatt på årets resultat

	2022	2021
Aktuell skatt	-10	-29
Förändring i uppskjuten skatt	4 762	4 724
Skatt på årets resultat	**4 752**	**4 695**

Redovisat resultat före skatt	-100 783	-102 740
Skatt enligt gällande skattesats 20,6%	20 761	21 164
Skatteeffekt av:		
Skatteeffekt av ej avdragsgilla kostnader	-10 559	-12 148
Skatteeffekt av ej skattepliktiga intäkter	1	0
Schablonränta på periodiseringsfonder	0	-37
Skatt hänförlig till tidigare års redovisade resultat	-10	-28
Skatteeffekt av uppskjuten skattefordran avseende underskott på skattemässig förlust	-10 203	-8 980
Förändring uppskjuten skatt enligt ovan	4 762	4 724
Redovisad skattekostnad	**4 752**	**4 695**

I Fazer Sweden AB finns underskottsavdrag på 332 056 tkr. Dessa har inte tagits upp i balansräkningen som uppskjuten skattefordran.

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Not 12 Immateriella anläggningstillgångar

	31.12.2022	31.12.2021
Ingående anskaffningsvärden	7 639	7 562
Inköp	17	58
Försäljningar/utrangeringar	-319	0
Omklassificeringar	0	19
Utgående ackumulerade anskaffningsvärden	**7 337**	**7 639**
Ingående avskrivningar	-6 203	-5 115
Försäljningar/utrangeringar	319	0
Årets avskrivningar enligt plan	-639	-1 088
Utgående ackumulerade avskrivningar	**-6 523**	**-6 203**
Utgående planenligt restvärde	**814**	**1 436**

Not 13 Goodwill

	31.12.2022	31.12.2021
Ingående ackumulerade anskaffningsvärden	376 281	376 281
Utgående ackumulerade anskaffningsvärden	**376 281**	**376 281**
Ingående ackumulerade avskrivningar	-135 646	-92 782
Årets avskrivningar enligt plan	-42 864	-42 864
Utgående ackumulerade avskrivningar	**-178 510**	**-135 646**
Utgående planenligt restvärde	**197 771**	**240 635**

Not 14 Byggnader och mark

	31.12.2022	31.12.2021
Ingående anskaffningsvärden	125 660	39 704
Inköp	1 938	51 135
Försäljningar/utrangeringar	-398	0
Omklassificeringar	800	34 821
Utgående ackumulerade anskaffningsvärden	**128 000**	**125 660**
Ingående avskrivningar	-27 380	-25 661
Försäljningar/utrangeringar	87	0
Årets avskrivningar	-4 817	-1 719
Utgående ackumulerade avskrivningar	**-32 110**	**-27 380**
Utgående planenligt restvärde	**95 890**	**98 280**

Not 15 Förbättring annans fastighet

	31.12.2022	31.12.2021
Ingående ackumulerade anskaffningsvärden	11 662	3 143
Inköp	3 318	6 424
Omklassificeringar	1 295	2 095
Utgående ackumulerade anskaffningsvärden	**16 275**	**11 662**
Ingående ackumulerade avskrivningar	-1 603	-265
Årets avskrivningar enligt plan	-2 868	-1 338
Utgående ackumulerade avskrivningar	**-4 471**	**-1 603**
Utgående planenligt restvärde	**11 804**	**10 059**

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Not 16 Maskiner, inventarier och andra tekniska anläggningar

	31.12.2022	31.12.2021
Ingående anskaffningsvärden	370 701	285 402
Inköp	4 605	54 017
Försäljningar/utrangeringar	-5 460	-7 949
Omklassificeringar	5 971	39 231
Utgående ackumulerade anskaffningsvärden	**375 817**	**370 701**
Ingående avskrivningar	-223 712	-217 022
Försäljningar och utrangeringar	4 753	7 194
Årets avskrivningar	-17 152	-13 884
Utgående ackumulerade avskrivningar	**-236 111**	**-223 712**
Utgående planenligt restvärde	**139 706**	**146 989**

Not 17 Pågående nyanläggningar

	31.12.2022	31.12.2021
Ingående anskaffningsvärden	7 180	80 694
Inköp	2 312	2 652
Omklassificeringar	-8 066	-76 166
Utgående ackumulerade anskaffningsvärden	**1 426**	**7 180**

Not 18 Andelar i koncernföretag

	31.12.2022	31.12.2021
Ingående anskaffningsvärde	48 779	394 823
Fusion	0	-346 000
Nedskrivningar	0	-44
Utgående redovisat värde	**48 779**	**48 779**

Innehav av andelar i dotterföretag utgörs av följande:

Företagets namn	Org.nr	Säte	Kapital-andel %
Fazer Denmark ApS	CVR33052421	Köpenhamn, Danmark	100 %
Fazer Norway AS	Nr996745821	Oslo, Norge	100 %

Företagets namn	Kapital- andel %	Röst-andel %	Antal andelar	2022	2021
Fazer Denmark ApS	100 %	100 %	140	28 153	28 153
Fazer Norway AS	100 %	100 %	100	20 626	20 626

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Not 19 Uppskjutna skattefordringar

	31.12.2022	31.12.2021
Bolagets uppskjutna skattefordringar är hänförlig till följande post:		
Direktpensionsutfästelser	667	511
Summa	**667**	**511**

Not 20 Övriga långfristiga fordringar

	31.12.2022	31.12.2021
Ingående ack anskaffningsvärden erhållna genom fusion	678	678
Kapitalförsäkringar	2 608	1 994
Utgående ackumulerade anskaffningsvärden	**3 286**	**2 672**
Summa	**3 286**	**2 672**

Not 21 Fordringar hos moderbolag

I posten Fordringar hos moderbolag ingår medel på koncernkonto hos Nordea Bank, Danske och Skandinaviska Enskilda Banken uppgående till 118 681 tkr (fg år 82 785 tkr).

Not 22 Övriga Fordringar

	31.12.2022	31.12.2021
Momsfordran	0	254
Skattekontot	7 218	4 550
Övriga poster	2 702	1 910
Summa	**9 920**	**6 714**

Not 23 Förutbetalda kostnader och upplupna intäkter

	31.12.2022	31.12.2021
Förutbetald hyra	5 000	4 175
Övriga förutbetalda kostnader	2 001	2 543
Summa	**7 001**	**6 718**

Not 24 Obeskattade reserver

	31.12.2022	31.12.2021
Avskrivningar utöver plan	21 904	21 904
Summa	**21 904**	**21 904**

Av obeskattade reserver utgör 20,6 %, 4 512 tkr (fg år 4 512 tkr) uppskjuten skatt.

Not 25 Avsättningar

	31.12.2022	31.12.2021
Avsättningar för pensioner och liknande förpliktelser	2 607	1 995
Uppskjuten skatt, Goodwill genom fusion	21 127	25 732
Övriga avsättningar	5 313	5 054
Summa	**29 047**	**32 781**

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Not 26 Långfristiga skulder

	31.12.2022	31.12.2021
Långfristiga skulder som förfaller till betalning ett till fem år efter balansdagen:		
Skulder till moderbolag	393 557	0
Summa	**393 557**	**0**

Not 27 Upplupna kostnader och förutbetalda intäkter

	31.12.2022	31.12.2021
Upplupna löner	17 676	15 325
Upplupna semesterlöner	19 561	19 693
Upplupna sociala avgifter	17 423	15 923
Övriga poster	40 488	39 843
Summa	**95 148**	**90 784**

Not 28 Justeringar för poster som inte ingår i kassaflödet

	31.12.2022	31.12.2021
Avskrivningar	68 340	60 893
Realisationsförlust	127	754
Realisationsvinst	-1 109	0
Avsättningar	613	1 438
Övriga poster	0	18
Summa	**67 971**	**63 103**

Not 29 Likvida medel i kassaflödet

	31.12.2022	31.12.2021
Kassa och bank	0	101
Summa	**0**	**101**

Not 30 Ställda säkerheter

	31.12.2022	31.12.2021
För egna skulder och avsättningar		
Företagsinteckningar	2 000	2 000
Summa	**2 000**	**2 000**

Not 31 Uppgift om moderbolag

Moderföretag i den största koncernen som Fazer Sweden AB är dotterföretag till och där koncernredovisning upprättas är Oy Karl Fazer AB, organisationsnummer 0202669-3, med säte i Helsingfors Finland.

Fazer Sweden AB upprättar inte koncernredovisning med hänvisning till Årsredovisningslagen kap 7 § 2.

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Fazer Sweden AB
556295-4486

Stockholm, den dagen det framgår av vår signatur

Mats Liedholm
Verkställande Direktör

Jouni Grönroos
Styrelseordförande

Tommi Nuutinen
Styrelseledamot

Sebastian Jägerhorn
Styrelseledamot

Vår revisionsberättelse har lämnats den dagen det framgår av vår signatur

PricewaterhouseCoopers AB

Anna Rozhdestvenskaya
Auktoriserad revisor

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Deltagare

FAZER SWEDEN AB 556295-4486 Sverige

Signerat med Svenskt BankID — *2023-03-14 11:02:43 UTC*

Namn returnerat från Svenskt BankID: MATS LIEDHOLM — Datum

Mats Liedholm
Managing Director

Leveranskanal: E-post

Signerat med Finskt FTN — *2023-03-13 12:23:15 UTC*

Namn returnerat från Finskt FTN: JOUNI ÅKE GRÖNROOS — Datum

Jouni Grönroos

Leveranskanal: E-post

Signerat med Finskt FTN — *2023-03-13 12:35:37 UTC*

Namn returnerat från Finskt FTN: TOMMI ANTERO NUUTINEN — Datum

Tommi Nuutinen

Leveranskanal: E-post

Signerat med Finskt FTN — *2023-03-15 17:49:03 UTC*

Namn returnerat från Finskt FTN: Carl Sebastian Jägerhorn — Datum

Sebastian Jägerhorn
EVP Legal

Leveranskanal: E-post

PRICEWATERHOUSECOOPERS AB 556067-4276 Sverige

Signerat med Svenskt BankID — *2023-03-16 07:58:39 UTC*

Namn returnerat från Svenskt BankID: ANNA ROZHDESTVENSKAYA — Datum

Anna Rozhdestvenskaya

Leveranskanal: E-post

20230614143044

Revisionsberättelse

Till bolagsstämman i Fazer Sweden AB, org.nr 556295-4486

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Fazer Sweden AB för år 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Fazer Sweden ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Fazer Sweden AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Fazer Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Fazer Sweden AB för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

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Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Fazer Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Den verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm, den dag det framgår av vår elektroniska signatur

PricewaterhouseCoopers AB

Anna Rozhdestvenskaya Auktoriserad revisor

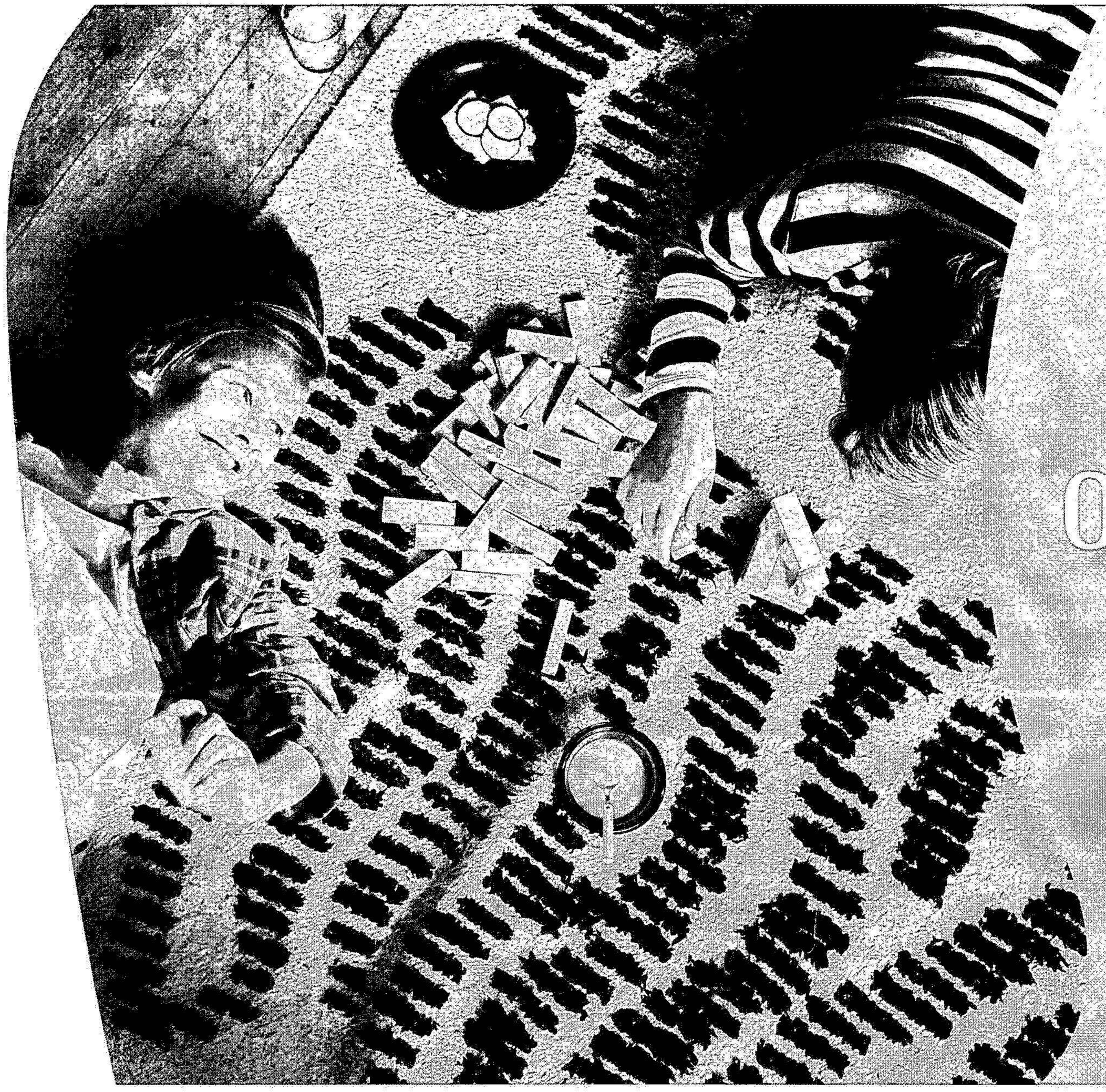
Deltagare

PRICEWATERHOUSECOOPERS AB 556067-4276 Sverige

Signerat med Svenskt BankID	*2023-03-16 07:58:54 UTC*
Namn returnerat från Svenskt BankID: ANNA ROZHDESTVENSKAYA	Datum
Anna Rozhdestvenskaya	

Leveranskanal: E-post

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OY KARL FAZER AB

Financial Statements

1.1.–31.12.2022

Business ID: 0202669-3 | Domicile: Helsinki

FINANCIAL STATEMENTS

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REPORT BY THE BOARD OF DIRECTORS 2022

Fazer is an international family owned FMCG 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 our progress in a rapidly changing world will be even more critical as we master the food transition. Our strategy serves as a compass pointing to where we want to take the company.

Fazer's vision, Towards Perfect Days, guides us on the path we take 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. We want people to think of Fazer when they remember special occasions because that's how we deliver on our brand promise, Northern Magic. Made Real.

BUSINESS MODEL

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

Fazer sells bakery products to more than 20 countries. In Finland, the company's bakeries are located in Vantaa, Lahti and Lappeenranta. Fazer also has 131 (end of 2022) shop-in-shop bakeries in Finnish grocery stores. The shop-in-shop bakery concept has also been extended to the Baltic countries and Fazer currently has 13 shop-in-shop bakeries in Estonia. The Baltic bakeries are located in Ogre in Latvia and Kaunas in Lithuania. In Sweden, Fazer has bakeries in Umeå, Eskilstuna and Lidköping.

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

Founded in 2017, Fazer Lifestyle Foods' range includes non-dairy snacks and drinks, dairy products as well as Froosh smoothies. Fazer Cereals, which has mills located in Lahti, Finland and Lidköping, Sweden, sell their products primarily to B2B customers. Non-dairy products are manufactured in Koria in Finland and in Tingsryd in Sweden.

Changes to the business model and discontinued operations in 2022

On 6 March 2022, Fazer announced its decision to exit its operations in Russia and the divestment of the business operations was completed on 30 April 2022. The operations were part of the Fazer Bakery business area and included bakeries in St. Petersburg as well as Moscow and employed approximately 2,300 employees. In 2021, net sales from Russia (including also export sales) totalled approximately EUR 157 million, accounting for 13% of total net sales for Fazer Group. In January-April 2022 the impact of the Russian business was EUR 65 million in net sales. The assets and liabilities related to Russian operations were classified as assets held for sale in March 2022 and Russian operations have been reported as discontinued operations.

On 13 December 2021, Fazer announced the acquisition of the Swedish food company Trensums Food. Trensums 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 were integrated with Fazer in March and are included in the Fazer Lifestyle Foods business area.

During the year, Fazer announced 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, and

that it had decided to explore the possibility of moving only chocolate products to a new factory. The production of sugar confectionery will there by continue in Lappeenranta.

THE YEAR 2022

The year in brief: good performance in a turbulent environment

In 2022, the world radically changed, mainly due to the tragic consequences of the Ukraine war. High inflation, extreme volatility in commodity and energy prices, rising food prices and interest rate hikes combined with continued geopolitical uncertainty impacted Fazer's operations throughout the year.

Our decision to end all operations in Russia and to exit the country was a major event for Fazer in 2022. Fazer was among the first western companies to exit the Russian market. Russia's attack on Ukraine also triggered an energy crisis of magnitudes not seen in decades, causing problems especially in the natural gas and electricity markets.

Throughout the year, the businesses cooperated closely with all key stakeholders, suppliers, and customers to ensure security of supply, business continuity and the profitability of Fazer's operations. Despite these challenges, and thanks to our strong brand and iconic products, Fazer was able to fulfil all customer deliveries without interruption and to absorb the majority of cost increases with price increases. Consequently, Fazer Group's net sales increased by 13% to EUR 1,122.2 million (991.9) and operating profit totalled EUR 39.3 million (30.6).

Operating environment

In 2022, the global operating environment radically changed, mainly due to the tragic consequences of the Ukraine war. High inflation, extreme volatility in commodity and energy prices, roaring food prices and interest rate hikes combined with continued geopolitical uncertainty became everyday reality.

Russia's attack on Ukraine also triggered an energy crisis of magnitudes not seen in decades, causing problems especially in the natural gas and electricity markets. Consequently, the energy markets were extremely volatile and unpredictable, and peaking electricity prices and availability issues impacted all Fazer's businesses throughout the year.

During the year, the source of consumer concerns quickly shifted from the pandemic to the invasion of Ukraine and rapidly rising prices and households are now facing increasing financial pressure. There are clear signs of changes in consumer behaviour, with increased price-consciousness at its core. Value for money has started becoming more important, and during the second part of the year, consumers increasingly prioritised private labels, low prices, discounted products, and campaigns. At the same time, international competitors are even more aggressively penetrating the market, offering customers and consumers products at low price points.

The Finnish bakery market grew in value, driven by price increases, whereas volumes decreased slightly. Demand in Fazer Bakery Finland was good, and Fazer was able to maintain its leading position in the market. The Swedish bakery market development was similar to the Finnish, with even stronger growth in value, and a similar drop in volume. The Baltic markets were severely hit by the inflationary environment, with inflation exceeding 20%.

The Finnish confectionery market grew in value driven by price increases and Fazer was able to strengthen its position in biscuits, gifts & seasonal assortment, and pastilles.

In Fazer Lifestyle Foods, the non-dairy markets both in Finland and Sweden declined slightly, with the biggest decline in demand for gurts. Demand in the smoothie category stagnated towards the end of the year, after showing growth in the beginning of autumn. The breakfast category grew both in Finland and Sweden.

GROUP FINANCIAL PERFORMANCE (CONTINUING OPERATIONS)

Net sales and profitability

The Group's net sales increased by 13% to EUR 1,122.2 million (991.9), driven mainly by price increases and non-organic growth from the Trensums Food acquisitions. Fazer Bakery's net sales grew 6% and totalled EUR 432.9 million (408.7) and Fazer Confectionery's net sales grew 8% and totalled EUR 461.4 million (429.0). Net sales of Fazer Lifestyle Foods increased by 44%, out of which organic growth represented 17%. Net sales for Fazer Lifestyle Foods totalled EUR 259.8 million (180.3). Net sales from common operations totalled EUR 20.1 million (18.1).

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Net sales by business, MEUR	1–12/2022	1–12/2021	Change
Fazer Bakery	432.9	408.7	6%
Fazer Confectionery	461.4	429.0	8%
Fazer Lifestyle Foods	259.8	180.3	44%
Common Operations	20.1	18.1	11%
Eliminations	-51.9	-44.2	18%
Net sales, total	**1,122.2**	**991.9**	**13%**

Net sales by country, MEUR	1–12/2022	1–12/2021	Change
Finland	695.7	638.5	9%
Sweden	268.1	218.6	23%
Estonia	28.0	23.5	19%
Latvia	18.8	15.5	21%
Denmark	17.8	13.8	29%
Lithuania	17.3	14.0	23%
Norway	14.8	15.5	-4%
Other countries	61.7	52.4	18%
Net sales, total	**1,122.2**	**991.9**	**13%**

Fazer Group's comparable EBITDA decreased by 10% and totalled EUR 101.4 million (112.4) or 9.0% (11.3%) of net sales. All businesses were burdened by increasing raw material and packaging material prices, energy, and transportation costs as well as salary inflation. EBITDA increased by 16% compared to the previous year and totalled EUR 106.3 million (91.6) or 9.5% (9.2%) of net sales. EBITDA included items affecting comparability totalling EUR 4.9 million (-20.8), mainly relating to capital gains from real estate divestments. In 2021, items affecting comparability were exceptionally high mainly relating to the implementation of the new operating model in Fazer Bakery Sweden and reorganisations in Fazer Lifestyle Foods. In 2022, the Group's comparable operating profit decreased by 35% and totalled EUR 34.4 million (53.0), or 3.1% (5.3%) of net sales. The Group's operating profit increased 29% and totalled EUR 39.3 million (30.6), representing 3.5% (3.1%) of net sales.

MEUR, or as indicated	1–12/2022	1–12/2021	Change
Comparable EBITDA	101.4	112.4	-10%
Comparable EBITDA margin	9.0%	11.3%	
Items affecting comparability in EBITDA	4.9	-20.8	123%
EBITDA	106.3	91.6	16%
EBITDA margin	9.5%	9.2%	
Comparable operating profit	34.4	53.0	-35%
Comparable operating profit margin	3.1%	5.3%	
Items affecting comparability in operating profit	4.9	-22.4	122%
Operating profit	39.3	30.6	29%
Operating profit margin	3.5%	3.1%	

Net financial items amounted to EUR -1.1 million (5.6). The result before taxes from continuing operations increased to EUR 38.2 million (36.2), and the result for the period totalled EUR 16.2 million (32.0). The result for the period was strongly impacted by the divestment of Fazer's Russian subsidiary.

Cash flow and financial position

Fazer Group's cash flow from operating activities amounted to EUR 72.7 million (77.5). Cash and cash equivalents amounted to EUR 67.1 million (226.5), the biggest impact deriving from the acquisition of Trensums Food. At the end of December 2022, net debt totalled EUR 78.3 million (-95.2). The increase is mainly related to the acquisition of Trensums Food. The gearing ratio was 9.9% (-10.9%). At the end of December, the consolidated balance sheet amounted to EUR 1,209.9 million (1,278.2). The Group's equity ratio was 65.4% (68.3%).

Capital expenditure

Capital expenditure amounted to EUR 59.9 million (82.1). The majority of investments were related to Fazer's aim to become the oat powerhouse. The company invested in new xylitol factory in Lahti, Finland, and the oat capacity expansions in Koria, Finland as well as into a new oat line in its bakery in Vantaa, Finland. Other important investments included energy back-up equipment in the bakeries as well as and upgrades to the existing machinery in Fazer Bakery and Fazer Confectionery.

Depreciation, amortisation, and impairment amounted to EUR 67.0 million (61.1).

Employees

At the end of December 2022, Fazer had 4,875 employees* (4,711). Fazer Bakery employed 2,254 (2,350) people, Fazer Confectionery 1,665 (1,605), Fazer Lifestyle Foods 691 (510) and Common Operations 264 (247). Of the Group's personnel 70% worked in Finland, 18% in Sweden, and 12% in the Baltics, Fazer's three largest markets.

Fazer's decision to exit its Russian operations and to divest of the Russian subsidiary, impacted the Group and its employees heavily. Throughout the year, Fazer focused on frequent employee dialogue and supporting employee well-being.

Fazer wants to provide opportunities for growth in a modern, safe, and inclusive culture. People & Well-being is one of Fazer's four sustainability ambitions, focusing on three pillars: health and safety, well-being and engagement as well as diversity and inclusion. In 2022, the company made good progress in several areas within the scope of People & Well-being. During the year, Fazer implemented capability development programmes in leadership, marketing, R&D, finance, digital and production, launched a Fazer Well-being framework, defined Employer Branding focus areas and developed a strategic Employer Branding framework, and defining diversity & inclusion targets and roadmap focusing on awareness building, among others.

Personnel by Business Area	31.12.2022	31.12.2021	Change
Fazer Bakery	2,254	2,350	-4%
Fazer Confectionery	1,665	1,605	4%
Fazer Lifestyle Foods	691	510	36%
Common Operations	264	247	7%
Total	**4,875**	**4,711**	**3%**

Personnel by country	31.12.2022	31.12.2021	Change
Finland	3,397	3,374	1%
Sweden	878	766	15%
Latvia	278	260	7%
Lithuania	213	202	5%
Estonia	78	74	5%
Denmark	20	24	-17%
Norway	11	11	0%
Poland	1	-	100%
Total	**4,875**	**4,711**	**3%**

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

Research and development

In 2022, Fazer Group continued its extensive research work, and developed new food solutions with continued focus on oats. The long-term R&D programme, Fazer Xtech, generated a new IP for future sustainable plant-based innovations. Gut-brain axis, dietary fibre and plant-based proteins were in focus in Fazer's nutrition research agenda. Fazer and Solar Foods continued their strategic co-operation in the Solein2Food project. The Singapore Food Agency granted Solein® regulatory approval as a novel food as of 2022. As a shareholder in Solar Foods, Fazer develops and tests products containing Solein® in categories that are relevant to Fazer.

During the year, Fazer announced its research project exploring alternative sources for cocoa, and the potential of cellular agriculture for future sustainable cocoa raw material production. Fazer is part of the CERAFIM-consortium, joining several Finnish companies and research institutions together exploring future solutions around the theme of cellular agriculture.

Fazer Group's 2022 research and development costs amounted to EUR 10.1 million (8.7), a growth of 16% compared to the previous year.

BUSINESS AREA PERFORMANCE: GOOD PERFORMANCE IN A CHALLENGING ENVIRONMENT

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

Fazer Bakery

Despite the highly inflationary environment, supply chain challenges and general uncertainty, Fazer Bakery performed well in 2022, and net sales increased by 6% to EUR 432.9 million (408.7).

Fazer Bakery's single, most important event in 2022, with significant impact on the whole Group, was the exit of all operations in Russia due to Russia's attack on Ukraine. The operations were part of the Fazer Bakery business area and included bakeries in St. Petersburg and Moscow. The divestment was completed at the end of April and consequently, Fazer was among the first western companies to exit the Russian market.

Russia's attack on Ukraine triggered an energy crisis of magnitudes not seen in decades, causing problems especially in the natural gas markets. As Fazer's bakeries in Finland and the Baltics are mainly natural gas-fuelled, Fazer invested in oil-fuelled back-up equipment and made back-up plans for most bakery lines in Finland and the Baltics. Fazer was able to fulfil all customer commitments without interruption.

The bakery market in Finland grew in value, driven by price increases, whereas volumes decreased slightly. Demand in Fazer Bakery Finland was good, and Fazer was able to maintain its leading position in the market. During the year, Fazer made several successful novelty launches, and among them white portion bread and dark oat Reissumies were well received. The Swedish bakery market development showed a similar pattern as in Finland, with even stronger growth in value, and a similar drop in volume. Fazer's new operating model in Fazer Bakery Sweden was proven

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successful, with positive performance as a result. In Sweden demand for bread loaves and toasts grew, in particular, thanks to the Skogaholm brand, and the Havrebröd novelty was successfully launched in the autumn. The Baltic market was particularly severely hit, with inflation exceeding 20%. Fazer Bakery Baltics was able to successfully negotiate prices and, consequently and partially mitigate the impact of the high increases in input costs.

Fazer Bakery responded to the increased demand for oat products by expanding its capacity with an investment in a state-of-the-art oat bread production line at the bakery in Vantaa, Finland. During the year, Fazer opened 13 new bakery shop-in-shops in Finland, totalling 131 shop-in-shops at the end of the year. In addition, Fazer opened three new shop-in-shops in Estonia, resulting in 13 shops in total by the end of 2022. A new shop-in-shop pilot was started in Sweden.

Fazer Confectionery

The Finnish confectionery market grew in value driven by price increases and Fazer was able to strengthen its position in biscuits, gifts & seasonal and pastilles. Fazer Confectionery's net sales grew by 8% to EUR 461.4 million (429.0), driven mainly by price increases implemented in the second half of the year. Demand was particularly good for the gift & seasonal assortment driven by Easter and Christmas products, recovering pick & mix, biscuits driven by gluten-free novelties and countlines with the Crunchy series continuing strong growth. The Karl Fazer Crunchy Black Edition, launched in August, was crowned Candy of the year 2022 in Finland. The iconic Karl Fazer Milk Chocolate celebrated its 100th anniversary during the year.

All Fazer Confectionery's main markets grew compared to the corresponding period 2021. Travel Retail and Fazer Retail recovered from the low COVID-19 levels and net sales increased. Growth in Retail was also related to the opening of three Fazer Cafés in Finland and two Gateau openings in Sweden in 2022.

Fazer's project to build a state-of-the-art confectionery factory in Finland proceeded well during the year. Preceding the actual investment decision, the project is currently in the basic design phase. As part of this phase, Fazer signed a co-operation agreement with the city of Lahti in May 2022, according to which, the city reserves a 34 hectares area for Fazer in the industrial area of Pippo-Kujala.

Fazer Lifestyle Foods

Active development of Fazer Lifestyle Foods continued throughout 2022 to bring out the full potential in terms efficiency. In 2022, net sales increased by 44% to EUR 259.8 million (180.3), driven by non-organic growth from the acquisition of Trensums Food and by organic growth of 17%. Organic growth was mainly driven by sales price increases in B2B sales from the mills in Finland and Sweden.

Fazer Lifestyle Foods focuses strongly on its core business and the execution of its plant-based strategy and implemented several strategic actions during the year. The acquisition of Trensums Food was completed in February. An investment to increase oat capacity in Koria, Finland, was finalised in the summer. Fazer's xylitol factory in Lahti was inaugurated in the spring and commercial operations started at the end of the year. In January 2023, Fazer announced its consideration to discontinue the dairy production and the initiation of change negotiations in its factory in Koria. If the plans are realised, the Koria factory will in the future focus solely on the production of oat drinks and other oat-based products.

Krister Zackari was appointed MD for Fazer Lifestyle Foods, and he assumed his position in July 2022. To accelerate profitable growth, Fazer Lifestyle Foods sharpened its strategy and redefined the must-win battles and strategic key initiatives at the end of the year. The operating model was further developed as well as roles and responsibilities were clarified.

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 2022

Despite the highly challenging environment, Fazer continued to develop the business and to invest in the company, reaching many milestones during the year.

Fazer Group

- In order to reduce the risk of single source energy dependency and to secure energy availability, Fazer updated its energy strategy in 2022, and decided to invest in solar energy during 2023, and to look into bakery line electrification opportunities in Fazer Bakery Finland, among others.
- Fazer initiated a project researching the potential of cellular agriculture for future sustainable cocoa raw material production.
- Fazer's presence in the Polish market was strengthened by the establishment of a new commercial unit, Fazer Poland.
- Fazer continued to develop ways of working to become the industry leader in profitability, through several on-going transformation programmes and efficiency improvement activities.
- The company continued focusing on Fazer's brand promise Northern Magic. Made Real. and on strengthening the Fazer consumer brand.
- As a result of Fazer's divestment of its Russian operations, its acquisition of Trensums Food, and, adaptation of the new emission calculation module, Fazer's emissions baseline was recalculated and submitted to SBTi for revalidation. After the approval and revalidation Fazer's ambitious goal of a 42% reduction by 2030 remains intact.

Fazer Bakery

- Fazer Bakery responded to the increased demand for oat products by expanding its capacity with an investment in a state-of-the-art oat bread production line at its bakery in Vantaa, Finland.
- Fazer opened 13 new bakery shop-in-shop in Finland, and three new shop-in-shops in Estonia. A new shop-in-shop pilot was started in Sweden.

Fazer Confectionery

- In the beginning of the year, Fazer announced its plans to invest in a new confectionery factory in Lahti, Finland. If realised, this investment is the biggest in company history.
- Fazer Confectionery established an on-trend Biscuits & Crisps business unit.
- In Fazer Retail, several Fazer Cafés were opened in Finland and Gateau bakery shops were opened in Sweden.

Fazer Lifestyle Foods

- The acquisition of the Swedish plant-based drinks producer Trensums Food was finalised and integrated into Fazer Lifestyle Foods.
- Fazer's investment to increase its oat capacity in Koria was finalised.
- Fazer's xylitol factory in Lahti started its commercial operations.

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 and 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, as The Food Experience Company, brings joy and well-being through its high-quality products and services to people in the Nordics, Baltics and beyond to some 40 different countries. Fazer operates through three business areas: Fazer Bakery, Fazer Confectionery, and Fazer Lifestyle Foods. The company is also a major player in the Nordic grain milling market, in foodtech and retail by operating in nearly 200 shop-in-shop bakeries, bakery shops and cafés throughout Finland, Sweden and the Baltics.

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 foodtech, 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.

During the year, Fazer persevered in pursuing its sustainability ambitions in challenging market conditions. Russia's invasion of Ukraine and, consequently, Fazer's divestment of its Russian

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operations, the energy crisis and surge in raw material prices led to adjustments and revisions in our sustainability work. Nevertheless, the focus on Fazer's four sustainability ambitions of Climate & Circularity, Sustainable Products & Innovations, Sustainable Sourcing and People & Well-being remains firm. The year 2022 was dedicated to building awareness, cascading sustainability targets and responsibilities, as well as developing processes.

Read more about Fazer's sustainability ambitions and targets, in Fazer's Annual and Financial Review and website.

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, 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 tough 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. Earlier in 2021, the business areas also conducted a separate assessment of the climate risks and opportunities, which Fazer continues to consider relevant for the reporting year 2022. Issue management teams additionally 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 Supplier Code of Conduct (SCoC), and the company has higher sustainability standards for chosen raw materials, such as cocoa, grain, palm oil, soy, eggs, and hazelnuts. All suppliers, including subcontractors, are expected to adhere to the SCoC. In 2022, Fazer also updated its sustainable sourcing risk assessment model and its sustainability self-assessment questionnaires for suppliers.

During the reporting year, Fazer conducted a separate 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 – include high risks of child labour, modern slavery, occupational safety and health, and living wages. Fazer has put in place a Human Rights Management System to regularly evaluate its actual and potential human rights impacts.

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 during an assessment conducted earlier in 2021 but still considered relevant for the reporting year 2022. 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 tropical ones. These risks are mitigated with a portfolio of actions ranging from responsible farming and sourcing programmes to new recipe development. Fazer also engages in long-term research projects and collaborates with its partners to develop future innovations and technologies for more secure food supply and production. 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 the Science Based Targets initiative 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 from its Russian operations and other changes in its organisational scope and calculation methods, Fazer recalculated its baseline emissions and the targets. After a revalidation of the targets by the Science Based Targets initiative in the autumn, the target levels remain unchanged.

Despite the challenging operating environment in 2022, Fazer continued its emissions reduction initiatives. Fazer's total emissions (scope 1,2 & 3) amounted to 725 316 tCO_2e (728 443 tCO_2e), decreasing slightly compared to the previous year but increasing by 4% compared to the baseline year 2020. The majority of Fazer's emissions originate from the value chain (scope 3), accounting for nearly 95% of Fazer's total emissions.

In 2022, Fazer made good progress towards its Science Based Target for its own operations (scope 1 and 2). These emissions decreased by 8% compared to 2021 and 11% compared to the baseline year 2020. The decrease can partly be attributed to the

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outsourcing of Fazer Bakery Sweden distribution organisation, but also, to an increased share of biogas in Fazer's energy mix. In order to reduce the dependency on a single energy source and to advance Fazer's emission reduction activities, Fazer updated its energy strategy during the year.

Fazer's value chain emissions (scope 3) increased by 5% from the baseline year 2020, resulting in a negative development against the company's 2030 Science Based Target. The increase was mainly due to the increased emissions from purchased goods and services but at the same time, Fazer also achieved emissions reductions by transferring to a new electricity contract which has a lower overall environmental impact. Fazer also launched a sustainable transportation project to increase management of its transport-related emissions in the future.

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 2022, Fazer achieved a 6% reduction in avoidable food loss compared to previous year and an 8% decrease compare to base year 2020. Circular economy concepts and the utilisation of side streams are essential in Fazer's sustainability work and business solutions. As an example, Fazer Lab is actively mapping the potential of valorising okara, a side stream from oat drink manufacturing. Fazer also joined the new Material Efficiency Commitment 2022–2026 for the food and retail industries in Finland, a pledge set up between government ministries and sectoral industry associations.

Fazer aims to use sustainable raw materials to minimise environmental, as well as social, impacts throughout its value chain. The company is constantly working with its suppliers to reduce the emissions from its raw material production. As an example, Fazer continues to partner with the Baltic Sea Action Group (BSAG) on the topic of regenerative farming for carbon sequestration.

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, and in 2022, 48% (47%) Fazer's total offering and 48% (43%) of its novelties were plant-based. During the reporting year, Fazer further strengthened its position in plant-based foods by acquiring the Swedish Trensums Food and by increasing its production volume in Koria.

Fazer's research and development focuses on innovations on foodtech, 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. In 2022, Fazer introduced its vision and plan for sustainable packaging which acts as a company-wide framework for designing packaging for the circular economy, reducing packaging materials, and minimising food waste.

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 2022, there were 2 (3) product recalls regarding food safety. The product recalls were made due to safety precautions related to microbiological quality.

Personnel, employment and social matters

A third 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 4,875 (4,711) 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 2022, Fazer's LTAF (Lost Time Accident Frequency) was at 4.1 (5.8), a clear improvement from 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. A total of

11,508 safety observations were made, which is a 25% increase compared to last year. There were no (0) fatalities in 2022.

To promote employee wellbeing, Fazer launched a common Fazer Well-being framework in 2022 that illustrates the varied aspects that contribute to purpose at work on the individual level. Fazer conducts regular employee engagement surveys, and the results from 2022 showed a highly engaged team who feel proud of working at Fazer and who strongly support the company's goals. In total, 75% of employees responded to the survey. During the reporting year, Fazer also devised a diversity and inclusion roadmap with concrete targets related to diverse representation in global management teams and training for managers.

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.

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 59% (52%) was sourced through farmer programmes in 2022. The remaining share of 41% (48%) is certified by the Rainforest Alliance or the Fairtrade cocoa programme. Importantly, 37% 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. In Finland, 50% of Fazer Mill's contract farmers fulfil the principles. During the reporting year, Fazer began refreshing the principles to include more concrete targets for grain sourcing and impact measurement.

Following the divestment of its Russian operations, Fazer no longer uses conventional palm oil in any of its products. Out of the purchased palm oil during 2022, 98% (97%) 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 Supplier Code of Conduct (SCoC). Of Fazer's total external spend, 86% (74%) had signed the SCoC by the end of 2022. 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.

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. As a result, Fazer established its own Human Rights Management System and conducted training for its employees on the topic of human trafficking and preventing labour exploitation.

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. As of the end of 2022, the status of the Code of Conduct eLearning among Fazer's white-collar employees was at 96%. Out of its blue-collar employees, 81% had viewed the Code of Conduct Video. Overall, 86% of employees had received training in Fazer's Code of Conduct as of the end of the year.

Employees and external parties can report observed or suspected cases of serious misconduct through a whistleblowing channel. In 2022, 36 cases were reported through the whistleblowing channel. However, only four cases qualified as potential whistleblowing reports alleging serious breaches of laws or regulations representing a public interest. The reports not qualifying as

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actual whistleblowing cases have been internally referred to other channels for handling, mainly Human Resources. Three out of the four whistleblowing reports have been investigated and closed. The investigations did not reveal the alleged breaches as reported. One case is still pending investigation. The Board of Directors receives annually a report of the whistleblowing cases.

CHANGES IN GROUP MANAGEMENT

Aaron Barsness assumed the position as Chief Marketing Officer and Executive Vice President of Fazer Group and member of the Fazer Leadership Team on 1 January 2022. During the year, Krister Zackari was appointed Managing Director of Fazer Lifestyle Foods and assumed his position on 1 July 2022. In December Lara Saulo (MD, Fazer Bakery) was appointed Managing Director of Fazer Confectionery as of 1 January 2023, as Markus Hellström decided to take up a position outside the Group.

BOARD OF DIRECTORS AND AUDITORS

At the Annual General Meeting held on 5 April 2022, Casper von Koskull (Chairman), Elisabeth Dreijer von Sydow, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow, Juhani Mäkinen and Laura Tarkka were re-elected as members of the Board of Directors. 2022 Annual General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with Martin Grandell, Authorised Public Accountant, acting as the principal auditor. An Extraordinary General Meeting was held 3 November 2022 in which Harry Brouwer was elected new member of the Board of Directors as of 1 January 2023.

RISKS AND BUSINESS UNCERTAINTIES

Fazer regularly evaluates and analyses the Group's strategic, operational, and financial risks within the framework of its risk management policy and takes action to mitigate these risks. The risk management process is described in the Corporate Governance section in the financial review.

Price and availability of raw materials and commodities

Profitable growth is a crucial part of Fazer's strategy. Fazer purchases large quantities of raw materials, and availability and fair pricing of certain key raw materials is crucial to Fazer's business success. 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 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 approved policies. In 2022, all business areas were strongly challenged by inflationary pressure in key raw material prices, energy, and transportation costs. Fazer initiated actions to mitigate the negative effects of this. However, the rise in input costs were not fully absorbed and price increases were unavoidable.

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 could adversely affect Fazer's brands. These considerations include changing consumer acceptance of certain ingredients, nutritional expectations of the products, and the sustainability of 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.

Energy

Until 2022, Russia was the largest exporter of oil and natural gas to the European Union, and almost half of the gas consumed in the EU came from Russia. The food processing industry is energy intensive, and the majority of thermal energy is provided by natural gas. The single largest use of electrical energy is used for refrigeration purposes.

In 2022, the energy crisis, triggered by Russia's attack on Ukraine, caused problems especially in the natural gas and electricity markets. Due to both geopolitical and economic concerns, the energy markets were volatile throughout the year. During the year, Fazer invested in energy backup systems for major production lines and made back-up plans for production processes using natural gas in Finland and the Baltics to ensure business continuity. In order to reduce the risk of single source energy dependency and to secure energy availability, Fazer updated its energy strategy in 2022, decided to invest in solar energy during 2023 and to look into bakery line electrification opportunities in Fazer Bakery Finland, and among others.

Confectionery 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 foodtech. As part of the strategy implementation, Fazer plans to invest in a new world-class confectionery 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 confectionery 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 in the process of preparing a detailed project plan with risk assessment and risk mitigating action plans. In order to mitigate the risk of significantly higher than planned investment costs, efficiency initiatives and continuous savings potential monitoring is in place.

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. There is a risk that the food sector does not attract the most competent people. Fazer has done very well in employer surveys in Finland and has succeeded well in attracting talented people. In other countries, such as Sweden and the Baltic countries, 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, trainee 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 meeting 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 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 substantially 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

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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.

Pandemic

Global or regional health pandemics could negatively impact Fazer's business operations, financial performance, and results of operations. Depending on the severity, magnitude and duration of the pandemic, it could negatively impact Fazer's business in numerous ways. Although Fazer was impacted by the COVID-19 pandemic, the business showed clear resilience in 2022. Fazer managed and mitigated the risks related to the pandemic by maintaining and executing rigorous business continuity plans as well as country and function specific instructions.

Cyber security

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

Hazard risks

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

Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity and refinancing risks, and counterparty risks. The objectives and principles within which the financial risks are managed in Fazer as well as the principles that govern the commodity specific risk management are fined in respective policies approved by the Board of directors. More information on financial risk management can be found in the notes to the financial statements, published week 12.

CHANGES IN GROUP LEGAL STRUCTURE

In 2022 Fazer continued to simplify to Group's legal structure by merging and dissolving several companies. A more detailed descriptions of changes in the Group legal structure can be found in note 25 to the consolidated financial statements.

SHARES AND SHARE CAPITAL

At the end of 2022, the parent company of the Fazer Group, Oy Karl Fazer Ab, had 4,341,039 preference shares and 2,365,200 ordinary shares. The preference shares carry a preferential right of at least 6%, of the nominal value of the share, ahead of ordinary shares for the annual dividend from the company's distributable profits. At the Annual General Meeting, each ordinary share is entitled to ten votes and each preference share entitles to one vote.

EVENTS AFTER THE REPORTING PERIOD

In January 2023, Fazer announced plans to discontinuing its dairy business at the Koria factory, Finland and started collaboration negotiations at the Koria factory. Fazer has evaluated different options to improve the efficiency of its dairy business and all factory operations in Koria, and in February 2023, decided to discontinue the dairy business by the end of August 2023. In March, a few smaller collaboration negotiations were still ongoing in different functions.

In February 2023 Fazer and the City of Lahti signed a letter of intent (LOI) on the property transaction. The LOI precedes the actual real estate transaction and the final investment decision on Fazer's new confectionary factory.

On 8 March 2023, Fazer announced a change in the scope of its planned confectionery factory investment. Significant changes in the operating environment, such as rapidly escalating interest rates, changes in consumer behaviour and demand, and uncertainty caused by the ongoing health tax debate have affected the company's assessment. As a result, the scope of Fazer's confectionery factory investment planning has changed,

and the company has decided to explore only the transfer of the production of chocolate products to the new factory. The production of sugar confectionery will thereby continue in Lappeenranta.

On 14 March, Fazer Bakery Finland announced the plans to change the organisational model of the shop-in-shop bakery business. To support profitable growth and at the same time to strengthen competitiveness, Fazer Bakery Finland considers changes that aim to adapt the shop-in-shop bakery organisation and its operating methods to the rapidly growing business and changes in the external operating environment. Fazer initiated change negotiations involving 660 employees working in the shop-in-shop bakery business organisation in Finland. Negotiations could lead to the termination of a maximum of 96 employments.

On 15 March, Fazer Bakery Finland announced that a new, energy-efficient production line is planned to be built in the Lahti bakery. With the investment, Fazer would develop its baking capabilities and improve energy efficiency. As a result of the planned changes, the number of production lines in Lahti would decrease. For this reason, Fazer Bakery Finland started change negotiations. The change negotiations concern in total 218 employees working in Fazer's bakery in Lahti. If implemented, the planned changes could lead to termination of maximum 54 employment contracts. Possible terminations of employment contracts would be carried out gradually during the years 2023–2025.

OUTLOOK FOR 2023

The markets are expected to continue challenging at least for the first half of 2023. Uncertainty remains high in the commodity and energy markets and raw material, packaging material and energy prices are expected to remain volatile. Simultaneously, consumer purchasing power is decreasing with increasing price sensitivity as a result. All in all, visibility is low, and it is uncertain whether agreed and targeted customer price increases will be able to fully absorb the impacts from high cost inflation. With the strength of the Fazer brand and the ability to respond to rapid changes, Fazer is well equipped to respond to consumer demands and show resilience in a challenging environment.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable equity on 31 December 2022 was 926,750,154.87 euro of which 2,247,753.38 euro represent profit for the financial year. The Board of Directors proposes to the Annual General Meeting that the distributable profit should be appropriated as follows:

- a dividend of 3.00 euro per share to be paid	20,118,717.00 euro
- to be retained in non-restricted equity	906,631,437.87 euro
	926,750,154.87 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.

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GROUP KEY FIGURES

Five-year summary

	2022	2021	2020	2019	2018
Income statement					
Net sales, MEUR *	1,122.2	991.9	1,101.2	1,097.0	1,029.2
Comparable EBITDA, MEUR *	101.4	112.4	122.5	113.8	128.2
% of net sales *	9.0 %	11.3 %	11.1 %	10.4 %	12.5 %
EBITDA, MEUR *	106.3	91.6	117.4	111.2	120.8
% of net sales *	9.5 %	9.2 %	10.7 %	10.1 %	11.7 %
Comparable operating profit, MEUR *	34.4	53.0	58.2	51.7	63.2
% of net sales *	3.1 %	5.3 %	5.3 %	4.7 %	6.1 %
Operating profit, MEUR *	39.3	30.6	51.9	49.1	55.9
% of net sales *	3.5 %	3.1 %	4.7 %	4.5 %	5.4 %
Profit before taxes, MEUR *	38.2	36.2	41.8	51.6	53.5
% of net sales *	3.4 %	3.6 %	3.8 %	4.7 %	5.2 %
Result for the period, continuing operations, MEUR	34.2	24.5	32.6	38.9	41.6
Result for the period, discontinued operations, MEUR	-18.0	7.6	407.8	35.4	22.3
Result for the financial year, MEUR	16.2	32.0	440.4	74.4	63.9
Attributable to owners of the parent, MEUR	21.3	29.9	366.7	66.4	58.5
Attributable to non-controlling interests, MEUR	-5.1	2.1	73.7	8.0	5.3
Earnings per share attributable to owners of the parent					
Continuing operations, basic and diluted, euro	5.02	3.60	4.82	5.81	6.33
Discontinued operations, basic and diluted, euro	-1.85	0.86	51.43	4.69	2.92
Group total, basic and diluted, euro	3.17	4.46	56.25	10.50	9.26

	2022	2021	2020	2019	2018
Balance sheet					
Non-current assets, MEUR	854.7	770.5	731.2	628.2	627.0
Current assets, MEUR	285.4	281.2	246.1	231.7	293.6
Cash and cash equivalents, MEUR	67.1	226.5	345.6	40.6	39.3
Assets held for sale, MEUR	2.6	-	-	171.9	-
Equity attributable to the owners of the parent, MEUR	725.2	805.3	869.3	494.1	484.9
Non-controlling interest, MEUR	65.5	67.9	65.2	69.6	59.4
Interest-bearing liabilities, MEUR	145.4	131.3	132.3	167.6	134.4
Non-interest-bearing liabilities, MEUR	273.3	273.8	256.0	224.0	281.2
Liabilities related to assets held for sale, MEUR	0.4	-	-	117.1	-
Balance sheet total, MEUR	1,209.9	1,278.2	1,322.8	1,072.4	959.9
Key figures					
Capital expenditure, MEUR	59.9	82.1	92.8	57.5	50.5
Dividend / share, EUR **	3.00	13.60	14.40	9.10	9.50
Net debt, MEUR	78.3	-95.2	-213.3	127.0	95.0
Gearing	9.9 %	-10.9 %	-22.8 %	22.5 %	17.5 %
Return on equity (ROE)	1.9 %	3.5 %	58.8 %	13.4 %	11.6 %
Equity ratio	65.4 %	68.3 %	70.7 %	52.6 %	56.8 %
Return on capital employed (ROCE) *	4.0 %	3.0 %	5.8 %	7.0 %	8.1 %
Personnel, avg. FTE *	4,990	4,891	7,316	7,532	7,646
Personnel, FTE month December *	4,875	4,711	7,135	7,330	7,509

*) Figures for years 2022-2018 are presenting continuing operations. The Fazer food Services business sold in 2020 is not included in continuing operations for 2020 - 2018. 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 2022 and 2019 as 'Assets held for sale' and liabilities as 'Liabilities related to assets held for sale'.

**) 2022 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 (%) = $\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity}}$

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

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

EBITDA = Operating profit + depreciations, amortisations and impairments

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

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

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, acquisition costs and certain business exit-related costs

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CONSOLIDATED INCOME STATEMENT

MEUR	Notes	2022	2021
Continuing operations			
Net sales	4	**1,122.2**	**991.9**
Other operating income	5.1	14.7	13.9
Materials and services	5.2	-453.4	-357.9
Employee benefits expenses	5.3	-294.3	-295.8
Depreciation, amortisation and impairment	10, 11	-67.0	-61.1
Other operating expenses	5.4	-283.0	-260.5
Operating profit		**39.3**	**30.6**
Financial income and expenses	6	-1.1	5.6
Profit before income tax		**38.2**	**36.2**
Income tax	7.1	-4.0	-11.7
Result for the period, continuing operations		**34.2**	**24.5**
Owners of the parent company		33.7	24.1
Non-controlling interests		0.5	0.3
Result for the period, discontinued operations	23	**-18.0**	**7.6**
Owners of the parent company		-12.4	5.8
Non-controlling interests		-5.6	1.8
Result for the period		**16.2**	**32.0**
Owners of the parent company		21.3	29.9
Non-controlling interests		-5.1	2.1
Earnings per share for result attributable to owners of the parent	8		
Basic and diluted, continuing operations, euro		5.02	3.60
Basic and diluted, discontinued operations, euro		-1.85	0.86
Basic and diluted, Group total, euro		3.17	4.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	Notes	2022	2021
Profit for the year		**16.2**	**32.0**
Other comprehensive income			
Items that may be classified to profit or loss			
Cash flow hedges		-0.8	0.8
Translation differences		-7.4	3.1
Income tax relating to these items		0.2	-0.2
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		0.7	0.0
Fair value adjustments of non-current financial assets		-	-
Income tax relating to these items		-0.2	0.0
Other comprehensive income, net of tax		**-7.4**	**3.7**
Total comprehensive income for the period		**8.7**	**35.7**
Of which attributable to discontinued operations		-9.0	11.7
Attributable to			
Owners of the parent company		11.1	32.4
Non-controlling interests		-2.4	3.3
Total comprehensive income for the period attributable to the owners of the parent company			
Continuing operations		17.2	23.7
Discontinued operations		-6.1	8.7
Total comprehensive income for the period attributable to non-controlling interests			
Continuing operations		0.5	0.3
Discontinued operations		-2.9	3.0

CONSOLIDATED BALANCE SHEET

MEUR	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Goodwill	9	302.0	158.7
Intangible assets	10	73.3	45.6
Property, plant and equipment	11	465.3	496.2
Non-current financial assets	12.2	11.7	11.7
Non-current receivables	12.2	2.0	58.0
Deferred tax assets	7.3	0.5	0.5
Total non-current assets		**854.7**	**770.5**
Current assets			
Inventories	13	119.0	99.6
Trade and other receivables	12.2, 14	151.8	149.0
Income tax receivables		14.6	6.7
Current financial assets	12.2	-	26.0
Cash and cash equivalents	15	67.1	226.5
Total current assets		**352.6**	**507.7**
Assets held for sale	23	2.6	-
TOTAL ASSETS		**1,209.9**	**1,278.2**

MEUR	Notes	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity	16		
Share capital		134.1	134.1
Other reserves		1.2	1.9
Reserve for invested unrestricted equity		108.2	108.2
Retained earnings		481.6	561.0
Equity attributable to the owners of the parent company		**725.2**	**805.3**
Non-controlling interests	26	65.5	67.9
Total equity		**790.7**	**873.2**
Non-current liabilities			
Interest-bearing liabilities	12.2, 18	76.2	81.9
Deferred tax liabilities	7.3	30.8	22.5
Pension obligations	19	2.2	3.9
Provisions	17	2.3	2.5
Other non-current liabilities		1.8	2.3
Total non-current liabilities		**113.4**	**113.0**
Current liabilities			
Interest-bearing liabilities	12.2, 18	69.2	49.4
Trade and other payables	12.2, 20	234.1	237.6
Income tax liabilities		1.7	2.0
Provisions	17	0.4	2.9
Total current liabilities		**305.4**	**292.0**
Total liabilities		**418.8**	**405.0**
Liabilities related to assets held for sale	23	0.4	-
TOTAL EQUITY AND LIABILITIES		**1,209.9**	**1,278.2**

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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
Profit 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 income 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

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	Notes	2022	2021
Cash flows from operating activities			
Result for the period		16.2	32.0
Adjustments			
Depreciations, amortisations and impairments	10, 11	69.1	64.7
Income taxes		4.0	13.9
Financial income and expenses	6	0.7	-6.0
Non-cash income and expenses		-2.2	4.7
Other non-operating adjustments		9.0	-3.1
Total adjustments		80.6	74.1
Change in working capital			
Decrease (+) / increase (-) in inventories		-19.6	-16.0
Decrease (+) / increase (-) in trade and other receivables		-0.8	-5.3
Decrease (-) / increase (+) in trade and other payables		8.0	9.6
Change in working capital		-12.4	-11.6
Interest received		1.7	1.4
Interest paid		-3.6	-2.0
Other financial income and expenses, net		2.1	-0.3
Income taxes paid		-11.9	-16.1
Net cash from operating activities		**72.7**	**77.5**

MEUR	Notes	2022	2021
Cash flows from investing activities			
Purchases of tangible and intangible assets	10,11	-59.9	-82.1
Proceeds from sale of tangible and intagible assets		10.9	5.7
Business acquisitions	24	-205.0	-0.3
Proceeds from sale of businesses	24	112.1	-
Investments in current financial assets		-	-91.8
Proceeds from sale of current financial assets		26.0	92.7
Granted loans		0.0	-
Repayment of loan receivables		0.1	0.0
Net cash from investing activities		**-115.8**	**-75.8**
Cash flows from financing activities			
Proceeds from non-current debt		-	40.0
Repayment of non-current debt		0.0	-
Repayment of current debt		-67.3	-45.1
Proceeds from current debt		57.9	25.2
Net cash flows from commercial papers		-2.0	-29.0
Repayment of leasing debt		-13.7	-15.5
Dividends paid		-91.2	-96.8
Net cash from financing activities		**-116.3**	**-121.2**
Increase (+) / decrease (-) in cash and cash equivalents		**-159.5**	**-119.5**
Cash and cash equivalents at the beginning of the period	15	226.5	345.6
Exchange rate difference		0.2	0.5
Cash and cash equivalents at the end of the period	**15**	**67.2**	**226.5**

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

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 March 17, 2023. According to the Finnish Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2022. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002), and thus are in force in the Finnish legislation.

The consolidated financial statements have been prepared on a historical cost basis. 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

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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

Revenue from sales of goods is recognised when the control and significant risks and rewards related to the ownership of the goods have been transferred to the customer. Customers obtain control when they have the ability to direct the use and obtain the benefits from the goods. The control is transferred when the products are delivered to the customer. In some countries, we have consignment stocks, and in these cases, the revenue is recognised when control of the products is transferred to the end customer. Fazer's performance obligations related to sales of goods are satisfied and revenue form from contracts with customers recognised at point in time.

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.

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.

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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 amount of rented pallets placed in warehouses. For some individual stores, up to 100 per cent 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.

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.

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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

The method for estimating credit losses in relation to trade receivables is described in the section "Trade receivables". Financial liabilities are classified either at amortised cost or fair value through profit or loss. Financial assets, including derivatives, are initially recognised at fair value.

Financial assets recognised at amortised cost are valued using the effective interest method, deducted by transaction costs. Other financial assets are valued 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 liabilities are initially recognised at amortised cost. Derivatives are 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 assets and liabilities arising from derivatives are valued at fair value at the end of each reporting period, either through financial items in the income statement or through other comprehensive income.

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

Level 1: Quoted prices in active markets are available for identical assets and liabilities.

Level 2: All inputs with a significant impact on the fair value of an asset or liability are observable in the market, either directly or indirectly.

Level 3: All inputs which have a significant impact on the fair value of an asset or liability are not observable in the market.

Financial asset measured at 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 continuously.

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 are measured at fair value, defined as the amount at which knowledgeable market participants would be willing to exchange the instruments at the measurement date. The fair values of currency forward agreements are calculated by comparing agreed-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.

Hedge accounting is applied on foreign exchange and commodity hedging transactions entered into in relation to certain highly probable raw material purchases and certain highly probable sales transactions denominated in foreign currencies. A hedging relationship is recognised and documented when an economic relationship exists between the hedging instrument and the hedged item, and the central terms of the hedging instrument are similar to the central terms of the hedged item.

The effectiveness of the hedge is evaluated as the hedging relationship is recognised, and forward-looking effectiveness testing is carried out at each reporting date. To the extent these relationships are effective, the change in fair value of the hedging relationship is recognised in the hedging reserve in equity. The fair value portion of hedges is allocated to hedged raw material, work in progress and finished goods in proportion to how much relevant raw material is included in them at the period end closing. The result of electricity derivatives, entered into to hedge electricity expenses, are included in electricity expenses in other operating expenses at closing.

At the balance sheet date, the market value of open derivatives is recognised in financial income and expenses. The fair value portion of hedges in relation to sales that have been recognised in equity are allocated to the income statement when the sale that they relate to occurs. The ineffective portion is recognised immediately in the 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.

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 raw material derivatives are recognised in the material costs, inventory values and fair value reserve. The Group does not have material embedded derivatives.

TRADE RECEIVABLES

Trade receivables are recognised in the amounts of initial sale. For accounting the expected credit losses, the group applies the simplified approach in IFRS 9, according to which all trade receivables are deducted by the estimated and expected credit loss for the whole credit period. The expected credit losses are based on assumptions related to 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.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories are valued at the lower of cost or net 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

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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 PROFIT

According to the definition used by the Group, Operating profit 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 profit in case they originate from operative business items; otherwise, they are included in financial income and expenses.

DIVIDENDS

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

2.4 Adoption of new and amended standards

CHANGES IN ACCOUNTING STANDARDS

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

NEW AND FORTHCOMING STANDARDS AND INTERPRETATIONS
New and amended standards or interpretations that were issued by the balance sheet date and effective from 1 January 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

DETERMINATION OF FAIR VALUE OF ASSETS ACQUIRED AS PART OF BUSINESS COMBINATIONS AND CONTINGENT CONSIDERATION
Classification or determinations related to business combinations are made based on the terms of contract, economic conditions, the operating or accounting principles applied by 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.

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
The most significant provisions in the statement of financial position relate to leasing/restoration provision. The judgement applied mainly relates to the estimated amounts of costs. The precise amount and timing of these costs could differ from estimates. More details are provided in Note 17.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS
The application of accounting policies requires judgements that impact the amounts recognised. Additionally, amounts recognised are based on factors that are by default associated with uncertainty. Actual results may therefore differ from estimates.

The 5-year cash flow projections used in the value-in-use calculations for impairment testing contain various judgements and estimations. Additional information on, e.g. the parameters used in the calculations and the sensitivity of the recoverable amounts to changes in the assumptions used are provided in Note 9.

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

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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 Fazer business area

MEUR	2022	2021
Fazer Bakery	432.9	408.7
Fazer Confectionery	461.4	429.0
Fazer Lifestyle Foods	259.8	180.3
Common Operations	20.1	18.1
Internal sales	-51.9	-44.2
Total	**1,122.2**	**991.9**

Net sales by country

MEUR	2022	2021
Finland	695.7	638.5
Sweden	268.1	218.6
Estonia	28.0	23.5
Latvia	18.8	15.5
Denmark	17.8	13.8
Lithuania	17.3	14.0
Norway	14.8	15.5
Other countries	61.7	52.4
Total	**1,122.2**	**991.9**

5. OTHER OPERATING INCOME AND EXPENSES

5.1 Other operating income

MEUR	2022	2021
Gain from sales of non-current assets	8.5	4.3
Rental income	0.9	1.6
Income from sale of services	0.5	0.9
Other income	4.8	7.1
Total	**14.7**	**13.9**

5.2 Materials and services

MEUR	2022	2021
Purchases during the period	463.3	363.4
Change in inventory (- increased /+ decreased)	-22.8	-15.3
External services	13.0	9.9
Total	**453.4**	**357.9**

5.3 Employee benefit expenses

MEUR	2022	2021
Wages and salaries	238.5	234.9
Pension costs - defined contribution plans	36.5	34.7
Pension costs - defined benefit plans	0.0	0.1
Other employee benefit expenses	1.8	2.2
Social security costs	17.5	24.0
Total	**294.3**	**295.8**

5.4 Other operating expenses

MEUR	2022	2021
Other social expenses	7.4	6.1
Rents	28.3	27.5
Energy	51.6	34.6
Production maintenance expenses	63.7	55.5
IT expenses	15.3	15.4
Travel expenses	6.3	4.9
Freight and other transport expenses	49.0	46.0
Marketing expenses	33.1	32.8
Administrative expenses	27.5	35.8
Loss from sales and scrapping of non-current assets	0.9	1.8
Total	**283.0**	**260.4**

Audit fees	2022	2021
PricewaterhouseCoopers		
Audit	0.6	0.5
Tax services	0.0	0.0
Other services	0.2	0.3
Total	**0.7**	**0.8**

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6. FINANCIAL INCOME AND EXPENSES

Net financial items in the income statement

MEUR	2022	2021
Financial income	5.5	10.4
Financial expenses	-6.6	-4.8
Total	**-1.1**	**5.6**

Financial income and expenses consists of the following items

MEUR	2022	2021
Interest income and expenses		
Interest expenses		
From borrowings measured at amortised cost	-1.0	-0.4
From financial liabilities measured at fair value through the income statement	-0.1	-0.2
From leasing liabilities	-0.9	-0.9
Net-interest from defined benefit plans	0.0	0.0
Other items	-0.9	-0.5
Interest income		
From financial assets measured at fair value through the income statement	0.9	1.5
Other items	0.6	0.1
Interest income and expenses, net	**-1.7**	**-0.5**
Gains and losses from commodity derivatives		
Electricity derivatives	3.3	5.5
Cocoa derivatives	-	-
Wheat derivatives	-	-
Total	**3.3**	**5.5**

MEUR	2022	2021
Foreign exchange rate gains and losses		
Currency derivatives	-3.0	2.9
Other	0.7	-2.3
Total	**-2.3**	**0.6**
Other items		
Other financial income	0.1	0.5
Other financial expenses		
Fees and expenses related to interest bearing debt	-0.5	-0.4
Other financing expense	-0.1	-0.1
Total	**-0.4**	**0.1**
Financial income and expenses, total	**-1.1**	**5.6**

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 negative interest on bank accounts, 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	2022	2021
Income taxes, continuing operations		
Current tax on profits for the year	-1.6	-8.5
Adjustments of current taxes for prior periods	0.0	-0.1
Other taxes	0.0	-0.6
Total income taxes, continuing operations	-1.7	-9.2
Deferred taxes, continuing operations		
Decrease (-) / increase (+) of deferred tax assets	0.6	0.2
Decrease (+) / increase (-) of deferred tax liabilities	-3.0	-2.8
Total deferred taxes, continuing operations	-2.3	-2.5
Total income taxes, continuing operations	-4.0	-11.7
Other comprehensive income		
Taxes related to items in other comprehensive income	0.0	-0.2
Total	0.0	-0.2

Reconciliation of effective tax rate, continuing operations

MEUR	2022	2021
Profit before tax	38.2	36.2
Parent company's tax rate	20.0%	20.0%
Tax computed at parent company's tax rate	-7.6	-7.2
Effect of different tax rates in foreign subsidiaries	0.6	-0.1
Effect of non-deductible expenses	-1.3	-0.7
Effect of income not subject to tax	1.4	0.3
Utilisation of previously unrecognised tax losses carried forward	1.6	0.6
Recognition of previously unrecognised tax losses carried forward	1.9	-
Unrecognised taxes on losses carried forward	-1.0	-3.5
Other adjustments of deferred taxes	0.2	-0.2
Tax for previous financial periods	0.0	-0.1
Other items	0.3	-0.7
Taxes in income statement	-4.0	-11.7
Effective tax rate (%)	10.5	32.4

7.2 Losses carried forward

	Losses carried forward for which deferred tax is recognised		Recognised deferred tax assets	
MEUR	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Expiry within five years	-	-	-	-
Expiry after five years	0.1	-	0.0	-
No expiry	10.5	1.8	2.2	0.4
Total	10.6	1.8	2.2	0.4

	Losses carried forward for which no deferred tax has been recognised		Unrecognised deferred tax asset	
MEUR	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Expiry within five years	0.2	0.1	0.0	0.0
Expiry after five years	0.0	0.0	0.0	0.0
No expiry	31.4	46.9	6.5	9.7
Total	31.6	47.0	6.5	9.7

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7.3 Deferred tax assets and liabilities

MEUR	1 Jan 2021	Recognised in income statement	Recognised in result for discontinued operations	Recognised in other comprehensive income	Business acquisitions and disposals	Reclassification	Exchange rate differences	31 Dec 2021	Recognised in income statement	Transferred to assets held for sale	Recognised in other comprehensive income	Business acquisitions and disposals	Reclassification	Exchange rate differences	31 Dec 2022
Deferred tax assets															
Intangible assets	7.4	0.0	-	-	-	0.4	0.0	7.7	-1.0	-	-	-	-	-	6.7
Tangible assets	1.0	-0.3	0.0	-	-	0.1	0.0	0.8	0.1	-	-	0.0	-	0.0	0.9
Hedge reserve	0.0	-	-	-	-	-	-	0.0	-	-	-	-	-	-	0.0
Inventory	0.3	-0.1	0.0	-	-	0.0	0.0	0.3	0.0	-	-	-0.3	-	0.0	0.1
Employee benefits	0.9	0.0	0.0	0.0	-	0.0	0.0	0.9	0.2	-	-0.2	-0.1	-	0.0	0.7
Provisions	0.2	0.6	-	-	-	-	0.0	0.8	-0.6	-	-	-	-	0.0	0.2
Tax losses carried forward	0.4	0.0	-	-	-	-	0.0	0.4	1.9	-	-	-	-	-0.1	2.2
Other items	1.7	-0.1	-0.3	-	-	-0.4	0.1	1.1	0.0	-	-	-0.7	-	0.1	0.4
Total	**12.0**	**0.2**	**-0.3**	**0.0**	**-**	**0.0**	**0.1**	**12.0**	**0.6**	**-**	**-0.2**	**-1.1**	**0.0**	**-0.1**	**11.3**
Netting of deferred taxes	-11.6							-11.6							-10.8
Total	**0.4**							**0.5**							**0.5**
Deferred tax liabilities															
Intangible assets	5.7	0.0	-	-	-	-	-0.1	5.6	-1.6	-	-	7.4	-	-0.3	11.1
Tangible assets	22.5	3.1	0.0	-	-	0.0	0.2	25.8	4.7	-1.6	-	-1.3	-	0.2	27.7
Hedge reserve	0.0	0.0	-	0.2	-	-	-	0.2	0.0	-	-0.2	-	-	-	0.0
Inventory	2.3	0.2	0.0	-	-	-	0.0	2.5	-0.5	-	-	0.2	-	0.0	2.2
Employee benefits	0.1	0.0	-	-	-	-	0.0	0.1	0.1	-	-	-	-	0.0	0.2
Provisions	0.0	-	-	-	-	0.0	-	0.0	0.0	-	-	-	0.0	-	0.0
Other items	0.2	-0.2	-	-	-	-	0.0	0.0	0.3	-	-	0.1	0.0	0.0	0.4
Total	**30.7**	**3.1**	**0.0**	**0.2**	**-**	**0.0**	**0.1**	**34.1**	**3.0**	**-1.6**	**-0.2**	**6.4**	**0.0**	**-0.1**	**41.6**
Netting of deferred taxes	-11.6							-11.6							-10.8
Total	**19.2**							**22.5**							**30.8**

8. EARNINGS PER SHARE

	2022	2021
Number of shares		
Weighted average number of shares outstanding	6,706,239	6,706,239
Diluted weighted average number of shares outstanding	6,706,239	6,706,239
Earnings per share from result for the period attributable to equity holders of the parent, continuing operations, MEUR	**33.7**	**24.1**
Result for the period attributable to equity holders of the parent, continuing operations		
Basic, continuing operations, euro	5.02	3.60
Diluted, continuing operations, euro	5.02	3.60
Earnings per share from result for the period attributable to equity holders of the parent, continuing operations, MEUR	**-12.4**	**5.8**
Result for the period attributable to equity holders of the parent, discontinued operations		
Basic, discontinued operations, euro	-1.85	0.86
Diluted, discontinued operations, euro	-1.85	0.86
Result for the period attributable to equity holders of the parent, Group total, MEUR	**21.3**	**29.9**
Earnings per share from result for the period attributable to equity holders of the parent, Group total		
Basic, Group total, euro	3.17	4.46
Diluted, Group total, euro	3.17	4.46

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9. GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

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

	31 December 2022			31 December 2021		
MEUR	Goodwill	Trade marks *	Discount rate (WACC) **	Goodwill	Trade marks *	Discount rate (WACC) **
Fazer Bakery	9.6	-	9.7	12.6	-	9,8
Fazer Confectionery	81.2	18.5	10.0	81.2	18.5	6,0
Fazer Lifestyle Foods	211.3***	16.4	9.5	64.9	17.8	6,1
Total	302.0	34.8		**158.7**	**36.2**	

* Intangible assets with indefinite useful life
** Before tax (%)
*** Goodwill arising from the acquisition of Trensums in 155M€ (note 24)

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.

In defining the long-term plans for each CGU, the management makes use of growth, demand, and price estimates by market research institutions. Furthermore, the long-term plans for specific CGU are used in sales and profit estimates. Cash flows after the forecast period have been extrapolated at a constant growth factor of 1% or 3%.

The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) as defined by Fazer, in which company-specific risk premiums are considered. The components of WACC are risk-free long-term government bond rates, market risk premiums and industry risk premiums, cost of debt, target capital structure and country-specific risks.

Increase in WACC levels compared to previous year is mainly driven by increased risk-free interests and risk premiums. Fazer Bakery CGU's WACC remained close to the previous year's level, due to the sales of Russian operations which had a large impact on CGU's WACC.

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

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.

For Fazer lifestyle Foods, an impairment loss should be recognised if the disount rate would increase to 10.5%. Impairment is recognised also if the growth or profitability during the planning period would decrease by 10%. This situation can quickly change, as it depends on expected future performance.

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 2021	**159.1**	**3.8**	**48.4**	**57.0**	**0.0**	**268.3**
Additions	-	-	0.0	2.7	0.0	2.8
Disposals	-	-	0.0	-0.4	0.0	-0.4
Reclassifications	-	-	0.0	0.5	0.0	0.5
Exchange rate differences	-0.4	-0.1	-0.4	0.1	0.0	-0.8
Cost at 31 Dec 2021	**158.7**	**3.7**	**48.1**	**60.0**	**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**
Accumulated depreciation and impairment losses at 1 Jan 2021	-	**-1.7**	**-8.3**	**-53.0**	-	**-63.0**
Depreciations	-	-0.4	-1.0	-2.1	-	-3.6
Depreciations and impairment losses, discontinued operations	-	-	0.0	-0.6	-	-0.6
Depreciations on disposals and reclassifications	-	-	0.0	1.0	-	1.0
Exchange rate differences	-	0.0	0.0	-0.1	-	-0.1
Accumulated depreciation and impairment losses at 31 Dec 2021	-	**-2.0**	**-9.3**	**-54.8**	-	**-66.2**
Business disposals	-	-	0.2	2.2	-	2.5
Depreciations	-	-4.4	-2.2	-1.7	-	-8.3
Depreciations on disposals and reclassifications	-	-	-	2.5	-	2.5
Exchange rate differences	-	0.4	0.1	-0.2	-	0.2
Accumulated depreciation and impairment losses at 31 Dec 2022	**0.0**	**-6.1**	**-11.2**	**-52.0**	-	**-69.4**
Carrying amount						
31 December 2022	302.0	13.3	55.3	3.7	1.0	375.3
31 December 2021	158.7	1.7	38.8	5.1	0.0	204.2

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11. PROPERTY, PLANT AND EQUIPMENT

	Owned assets					Right-of-use assets			
MEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Land and water	Buildings and structures	Machinery and equipment	Total
Cost at 1 Jan 2021	**40.5**	**293.2**	**743.8**	**15.0**	**72.2**	**0.8**	**76.7**	**29.2**	**1,271.3**
Business acquisitions	-	-	-	-	-	-	-	-	-
Disposal of businesses	-	-	-	-	-	-	-	-	-
Additions	-	8.8	22.5	2.3	45.6	-	10.7	15.4	105.3
Disposals	-0.2	-4.3	-26.2	-0.7	-0.3	-	-2.4	-7.8	-42.0
Reclassifications	0.0	13.9	15.2	0.7	-31.8	0.0	-	-0.2	-2.1
Exchange rate differences	0.1	1.1	2.0	0.0	0.2	0.0	-0.5	0.0	3.0
Cost at 31 Dec 2021	**40.4**	**312.8**	**757.2**	**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**

	Owned assets					Right-of-use assets			
MEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Land and water	Buildings and structures	Machinery and equipment	Total
Accumulated depreciation and impairment losses at 1 Jan 2021	**-9.7**	**-164.1**	**-569.6**	**-9.5**	**-**	**-0.1**	**-46.7**	**-15.3**	**-815.0**
Disposal of businesses	-	-	-	-	-	-	-	-	-
Depreciations	-	-9.8	-31.1	-1.5	-	0.0	-9.3	-3.9	-55.6
Impairment losses	0.0	-	-	0.0	-	-	-0.5	-1.3	-1.8
Depreciations and impairment losses,discontinued operations	1.9	-0.9	-3.9	0.0	-	0.0	-	-0.2	-3.1
Depreciations on disposals and reclassifications	-	4.8	24.5	0.3	-	-	2.1	5.9	37.6
Exchange rate differences	-	-0.4	-1.4	0.0	-	0.0	0.3	0.0	-1.5
Accumulated depreciation and impairment losses at 31 Dec 2021	**-7.7**	**-170.3**	**-581.4**	**-10.8**	**-**	**-0.1**	**-54.1**	**-14.8**	**-839.4**
Disposal of businesses	-	12.5	67.7	0.6	-	0.1	-	0.4	81.2
Depreciations	-	-10.9	-32.4	-1.8	-	0.0	-8.5	-5.0	-58.6
Transferred to assets held for sale	7.7	-	-	-	-	-	-	-	7.7
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**
Carrying amount									
31 December 2022	22.7	130.0	223.9	8.0	26.8	0.6	28.2	25.0	465.3
31 December 2021	32.6	142.5	175.8	6.5	85.9	0.7	30.4	21.7	496.2

During 2022 no borrowing costs have been capitalised. In 2021, borrowing costs amounting to EUR 115 thousand were capitalised. The Group's average interest rate of borrowings is applied as the capitalisation rate.

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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 and refinancing risks, and counterparty risks. The Treasury Policy is approved by the Board of Directors, which defines the objectives and principles within which the financial risks are to be managed in the Group. The treasury committee monitors the Policy compliance on a montly basis and the 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 nuts are denominated in USD. According to the Policy, the open currency position, calculated for the 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-upon financial derivatives, balance sheet items denominated in a foreign currency, in relation to the functional currency, form the total foreign currency position.

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

Foreign currency exposure, 31 December 2022

MEUR	GBP	NOK	RUB	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 maket 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

Foreign currency exposure, 31 December 2021

MEUR	GBP	NOK	RUB	SEK	USD
Trade receivables	0.0	1.2	1.3	9.0	-0.4
Trade payables	-4.0	-0.1	-	-1.5	-0.3
Bank accounts	-0.3	-1.8	0.1	40.2	-0.3
Loans and deposits	-	2.0	-17.6	7.7	0.4
Foreign exchange hedges	27.8	-	17.2	-75.4	2.6
Operative exposure, net of hedges	**23.4**	**1.3**	**1.0**	**-20.0**	**1.9**
Sensitivity to maket risk					
10% favourable change impact on pre-tax profit	-0.3	0.1	0.1	1.8	-
10% favourable change impact on OCI	2.9	-	-	-	0.2
10% unfavourable change impact on pre-tax profit	0.2	-0.1	-0.1	-2.2	-
10% unfavourable change impact on OCI	-2.4	-	-	-	-0.2

The above position does not include forecast 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 the corresponding underlying position items are equal. There is no hedge inefficiency since the value change of the discounted spot component of open derivatives is equal to the 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 currencies other than euro are translated using the foreign exchange rate of the reporting date. Exchange rate differences arising from this have been recorded in equity. As the investments are of long-term nature, the equity in the subsidiaries is usually not hedged.

The following table shows the estimated impact on consolidated equity of a 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 an equal opposite effect in other currencies excluding SEK where the impact would be EUR -8.5 million.

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

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

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, a minimum 100% for the subsequent 3 months' need of grain and 6 months' need for cocoa is required to be covered by physical contracts or stock. A maximum of 100% of the total raw material need during the subsequent 12 months' for cocoa, after which declining levels of coverage may be applied for 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. A maximum of 100% of the electricity need for the current year may be covered by physical contracts and financial derivatives. Declining levels of coverage are applied until the end of the third calendar year following the current calendar year. The Electricity Risk Management Policy applies for electricity purchases in Finland, Sweden and the Baltic countries.

The Group uses commodity derivatives to hedge future grain, cocoa and electricity exposure. Outstanding commodity derivatives and their sensitivity to market risk at the end of the financial year is presented in the following table. 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 financial items in the income statement.

Commodity derivative's sensitivity to market risk, +/- 10% change in the price

	31 December 2022			31 December 2021		
MEUR	Total exposure	Income statement	Other comprehensive income	Total exposure	Income statement	Other comprehensive income
Cocoa	26.7	-	1.0	15,4	-	0,7
Wheat	4.2	0.2	-	-	-	-
Electricity	18.4	1.8	-	6,8	0,7	-

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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 2022 and 2021, 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 78.3 (-95.2) million. Cash and cash equivalents decreased from the previous year by EUR 159.4 million to EUR 67.1 (226.5) million at the end of 2022. The interest-bearing debt is fixed-rate based. Assuming a stable interest-bearing net debt position, a one percentage point parallel upward shift in the interest rates level would cause a EUR 0.3 (2.3) million increase in the Group's interest gain. The calculation reflects the fact that the above interest-bearing net debt consists of fixed rate debt. As all the Group's financing instruments are based on euribor, the LIBOR reform does not have any significant effect on the Group's financing arrangements.

Liquidity and refinancing risk

Liquidity risk is minimised by ensuring a liquidity reserve that covers the operative day-to-day liquidity needs that arise due to unexpected weakening of the cashflow, and needs that are created due to strategic actions. Excess cash is invested in time deposits, commercial papers and bank accounts. Fazer reacts to the possible effects of the 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 the company's emission reduction targets. At the end of the financial year, the liquidity reserve consisted of an unused committed multicurrency revolving credit facility in the amount of EUR 200 (200) million, short-term money market investments in the amount of EUR 0.0 (26.0) million and of cash and bank in the amount of EUR 67.1 (226.5) million. The final maturity date of the multicurrency revolving credit facility is in July 2026. The Group also has bilateral Commercial Paper (CP) programmes in place with several Nordic banks. The CP programmes are available until further notice. Fazer have complied with the financial covenants in its loan agreements during 2022 as well as 2021, and management expects this situation to continue.

Interest-bearing liabilities

MEUR	31 Dec 2022	31 Dec 2021
Non-current interest-bearing liabilities		
Loans from financial institutions	34.3	40.0
Leasing liabilities	41.9	41.9
Total	**76.2**	**81.9**
Current interest-bearing liabilities		
Commercial papers	23.9	14.0
Leasing liabilities	11.2	10.2
Loans from financial institutions	10.2	-
Current financial loans from others	24.0	25.2
Total	**69.2**	**49.4**
Interest-bearing liabilities, total	**145.4**	**131.3**

Interest-bearing liabilities are fixed-rate based. The liabilities are mainly denominated in EUR; of leasing liabilities EUR 38.6 (41.7) million equivalent is denominated in EUR, EUR 14.3 (9.5) million in SEK, EUR 0.0 (0.0) million in NOK and EUR 0.2 (0.2) million in DKK. In 2021, a new EUR 200 million multicurrency revolving credit facility was agreed upon. As per the end of 2022, the entire multicurrency revolving credit facility of EUR 200 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 research and development in the Group.

Undiscounted maturities of financial liabilities, 31 December 2022

MEUR	<1 year	1–5 years	5–10 years	>10 years
Financial institutions	10.2	22.9	11.4	-
Commercial papers	23.9	-	-	-
Leasing liabilities	12.3	29.1	10.2	6.4
Accounts payable	120.5	-	-	-
Derivatives - gross outflow	101.8	4.7	-	-
Derivatives - gross inflow	-76.5	-	-	-
Other	24.0	-	-	-
	216.1	**56.6**	**21.7**	**6.4**

Undiscounted maturities of financial liabilities, 31 December 2021

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

Financial transactions counterparty credit risk

The Treasury Policy states that counterparties to financial transactions must maintain creditworthiness that corresponds to an investment grade credit rating. The creditworthiness may also be estimated by some external party other than a rating agency that is sufficiently familiar with rating methodologies. 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 a 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 the 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 a 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 2022					31 December 2021					
MEUR	Amortised cost	Fair value through income statement	Fair value trough OCI	Carrying amount	Fair value	Amortised cost	Fair value through income statement	Fair value trough OCI	Carrying amount	Fair value	Fair value hierarchy level
Assets											
Non-current financial assets	-	3.1	8.5	11.7	11.7	-	3.1	8.5	11.7	11.7	3
Non-current receivables	2.0	-	-	2.0	1.8	58.0	-	-	58.0	58.0	
Trade receivables	118.6	-	-	118.6	118.6	121.3	-	-	121.3	121.3	
Derivative instruments											
Hedge accounted derivatives	-	1.9	-	1.9	1.9	-	1.1	-	1.1	1.1	2
Derivatives, non-qualifying	-	16.7	-	16.7	16.7	-	9.2	-	9.2	9.2	2
Current financial assets	-	-	-	-	-	-	26.0	-	26.0	26.0	2
Cash and cash equivalents	67.1	-	-	67.1	67.1	226.5	-	-	226.5	226.5	
Liabilities											
Leasing liabilities	53.1	-	-	53.1	50.0	52.1	-	-	52.1	52.1	
Loans from financial institutions	44.4	-	-	44.4	40.9	40.0	-	-	40.0	40.0	
Commercial papers	23.9	-	-	23.9	23.9	14.0	-	-	14.0	14.0	
Current financial loans from others	24.0	-	-	24.0	24.0	25.2	-	-	25.2	25.2	
Trade payables	120.5	-	-	120.5	120.5	130.5	-	-	130.5	130.5	
Derivative instruments											
Hedge accounted derivatives	-	1.7	-	1.7	1.7	-	0.1	-	0.1	0.1	2
Derivatives, non-qualifying	-	7.3	-	7.3	7.3	-	3.2	-	3.2	3.2	2

No changes between level 1, 2 and 3 during or between the years. Non-current financial assets booked to fair value through profit and loss and fair value through OCI relate to shares and holdings in unlisted companies.

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.

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

MEUR	31 December 2022	31 December 2021
Assets	9.8	7.2
Liabilities	0.3	0.2
Net position	**9.5**	**7.0**

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

Compass Group has paid the EUR 57.1 million consideration receivable in 2022, which arose from the sale of the Fazer Food Services business. The receivable was measured at amortised cost and the result impact arising as a result of the early repayment is included in the result of discontinued operations. For further information see notes 23 and 24.

12.3 Hedge accounting and derivatives

Hedging gains and losses in operating profit

MEUR	2022	2021
Cash flow hedge accounted		
Currency hedges	0.7	1.1
Non-qualifying hedges		
Commodity hedges	-0.1	0.0
Total	**0.7**	**1.2**
Revenue		
Currency hedges	-	-
Purchases		
Currency derivatives	0.7	1.1
Commodity derivatives	-0.1	0.0
Total	**0.7**	**1.2**

Non-qualifying hedging profits and losses are booked in financial items and are specified in note 6.

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Derivative instruments

	31 December 2022				31 December 2021			
MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value	Nominal value	Positive fair value	Negative fair value	Net fair value
Hedge accounted currency derivatives								
Currency forward contracts	29.5	0.0	-0.8	-0.8	93,1	0.7	0.0	0.7
Currency options	-	-	-	-	-	-	-	-
Hedge accounted cocoa derivatives								
Commodity futures	26.7	1.8	-0.9	0.9	15,4	0.4	-0.1	0.3
Commodity options	-	-	-	-	-	-	-	-
Non-qualifying currency derivatives								
Currency forward contracts	37.8	0.3	-0.1	0.2	29,4	0.3	-0.4	-0.1
Currency options	-	-	-	-	-	-	-	-
Non-qualifying electricity derivatives								
Commodity futures	18.4	16.4	-7.0	9.4	6,8	8.9	-2.8	6.1
Commodity options	-	-	-	-	-	-	-	-
Non-qualifying wheat derivatives								
Commodity futures	4.2	0.0	-0.2	-0.2	-	-	-	-
Commodity options	-	-	-	-	-	-	-	-
Total	**116.6**	**18.6**	**-9.1**	**9.5**	**144,7**	**10.3**	**-3.3**	**7.0**

Derivatives maturity repayments

	31 December 2022		31 December 2021	
MEUR	2023	2024	2022	2023
Gross settlement				
Currency derivatives, cashflow hedges				
Inflow	28.9	-	30.3	-
Outflow	29.5	-	29.4	-
Currency derivatives, non-qualifying				
Inflow	37.7	-	92.8	-
Outflow	37.5	-	92.9	-
Cocoa derivatives, cashflow hedges				
Inflow	8.6	-	4.5	-
Outflow	18.1	-	7.4	3.5
Electricity derivatives, non-qualifying				
Inflow	-	-	-	-
Outflow	13.7	4.7	4.5	2.3
Wheat derivatives, non-qualifying				
Inflow	1.2	-	-	-
Outflow	3.0	-	-	-
Net settlement				
Cocoa derivatives, cashflow hedges				
Inflow	1.8	-	0.4	0.0
Outflow	0.9	-	0.0	0.0
Electricity derivatives, non-qualifying				
Inflow	14.8	1.7	7.8	1.2
Outflow	6.9	0.2	2.3	0.5
Wheat derivatives, non-qualifying				
Inflow	0.0	-	-	-
Outflow	0.2	-	-	-

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

12.4 Reconciliation of financial liabilities

	Current		Non-current		
MEUR	Leasing debt	Interest-bearing debt	Leasing debt	Interest-bearing debt	Total
1 January 2022	**10.2**	**39.2**	**41.9**	**40.0**	**131.3**
Proceeds of debt	-	57.9	11.9	-	69.8
Repayment of debt	-13.8	-69.3	-	0.0	-83.1
Business acquisitions	-2.2	-	5.3	4.7	12.3
Disposal of businesses	-0.3	20.1	-0.4	-	19.4
Transfer between non-current and current	13.7	10.2	-13.7	-10.2	0.0
Exchange rate differences	-0.2	-	-0.8	-0.2	-1.2
Other non-cash movements	-0.6	-	-2.3	-	-2.9
31 December 2022	**11.2**	**58.0**	**41.9**	**34.3**	**145.5**

	Current		Non-current		
MEUR	Leasing debt	Interest-bearing debt	Leasing debt	Interest-bearing debt	Total
1 January 2021	**12.6**	**88.1**	**31.6**	**-**	**132.3**
Proceeds of debt	-	25.2	26.0	40.0	91.2
Repayment of debt	-13.9	-74.1	-	-	-88.0
Business acquisitions	-	-	-	-	0.0
Transfer between non-current and current	12.7	-	-12.7	-	0.0
Exchange rate differences	-0.1	-	-0.2	-	-0.2
Other non-cash movements	-1.1	-	-2.9	-	-4.0
31 December 2021	**10.2**	**39.2**	**41.9**	**40.0**	**131.3**

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13. INVENTORIES

MEUR	31 Dec 2022	31 Dec 2021
Materials and supplies	64.2	56.2
Work in progress	9.1	7.6
Finished products	45.8	35.7
Total	**119.0**	**99.6**

During the year, inventores were scrapped or written down by EUR 9.3 (6.1) million.

14. TRADE AND OTHER NON INTEREST-BEARING RECEIVABLES

MEUR	31 Dec 2022	31 Dec 2021
Trade receivables	118.6	121.3
Other receivables	6.4	10.2
Derivative instruments	18.8	10.3
Advance payments	0.0	1.0
Accruals	8.0	6.3
Total	**151.8**	**149.0**

Trade receivables 31 Dec 2022

MEUR	Gross 31 Dec 2022	Credit loss provision 31 Dec 2022	Gross 31 Dec 2021	Credit loss provision 31 Dec 2021
Undue	115.9	0.0	117.8	0.0
Past due up to 90 days	2.5	-0.0	3.1	0.0
91–180 days past due	-0.2	-0.1	0.0	-0.1
Past due over 180 days	0.6	-0.1	0.7	-0.2
Total	**118.8**	**-0.2**	**121.6**	**-0.3**

In 2022 and 2021 , 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 118.8 (121.6) million.

Reconciliation of loss allowance provision

MEUR	2022	2021
Loss allowance as at 1 January	0.3	0.4
Increase in provision recognised in income statement in other expenses during the period	0.2	0.1
Receivables written off during the year as uncollectible	-0.3	-0.1
Loss allowance as at 31 December	**0.2**	**0.3**

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 amount to EUR 13.6 (13.0) million. No contract assets have been recognised in the financial statements of 2022 or 2021.

15. CASH AND CASH EQUIVALENTS

MEUR	31 Dec 2022	31 Dec 2021
Cash and bank	67.1	146.1
Short-term deposits	-	80.4
Total	**67.1**	**226.5**

16. EQUITY AND CAPITAL MANAGEMENT

16.1 Issued capital and equity reserves

Issued capital and shares

	Number of shares			Issued capital and shares
MEUR / numbers thousand	Preference shares	Ordinary shares	Total	Share capital
31 December 2021	4,341	2,365	6,706	134.1
31 December 2022	4,341	2,365	6,706	134.1
Number of votes	4,341	23,652	27,993	

At the end of the period, the share capital was EUR 134.1 million and the total number of parent company's shares was 6,706,239, of which 4,341,039, or 64.7%, were preference shares and 2,365,200 or 35.3%, were ordinary shares. All issued shares have been fully paid. The maximum number of preference shares is 14,620,320 and the maximum of ordinary shares is 9,460,800, so that the total number of the shares is 24,081,120 at maximum. Each preference share carries one vote and each ordinary share carries ten (10) votes. The total votes attached to all shares was 27,993,039. Preference shares carry a preferential right to dividends, amounting to at least 6% of the share's nominal amount, ahead of ordinary shares in connection to the yearly distribution of the dividends.

Dividends

After the closing date, the Board of Directors has proposed that EUR 3.00 (13.60) per share, totalling EUR 20.1 (91.2) million, be distributed as dividends.

Translation differences

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

Hedge reserve

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

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

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

Other reserves

MEUR	31 Dec 2022	31 Dec 2021
Hedge reserve	0.0	0.7
Non-current financial assets, fair value through other comprehensive income	1.2	1.2
Total	**1.2**	**1.9**

Retained earnings

MEUR	31 Dec 2022	31 Dec 2021
Translation differences	-28.6	-18.5
Retained earnings	510.2	579.6
Total	**481.6**	**561.1**

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16.2 Capital management

Fazer Group aims to manage its capital in a way that supports the profitable growth of business and secures the liquidity and capitalisation 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 response to changes in economic conditions and the 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 2022	31 Dec 2021
Net debt	78.3	-95.2
Total equity	790.7	873.2
Gearing ratio	9.9%	-10.9%
Total equity	790.7	873.2
Liabilities	418.8	405.0
Advance payments	0.1	0.2
Equity ratio	65.4%	68.3%

17. PROVISIONS

MEUR	Restruc-turing	Restoration of leased premises	Other	Total
1 Jan 2022	**3.5**	**1.9**	**0.0**	**5.4**
Business acquisitions	-	-		-
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

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

Provisions

Restructuring provisions relate to plans which are approved and carried out by the management. The main part of the provision consists of employee termination benefits as well as costs in relation to 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 2022 include rent concessions amounting to EUR 0.1 (0.2).

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 13.5 (13.2) million and they are included in depreciation, amortisation and impairment in the consolidated profit or loss statement. A more detailed specification of them can be found in note 8. Other impacts that leasing contracts have on the continuing operations' profit or loss statement can be found in the following schedule.

MEUR	2022	2021
Items in financial expenses		
Interest expenses	0.9	0.9
Items in other operating expense		
Expense relating to short-term leases	0.4	0.2
Expense relating to low-value assets	1.2	1.2
Expense relating to until further notice contracts	1.2	1.1
Expense relating to variable lease payments	29.6	27.1
Total, included in other operating expenses	**32.4**	**29.6**

Leases not yet commenced, which the Group is committed to, amounted at 31 December 2022 to EUR 4.2 (2.5) million.

If revenue in relation to the variable lease payments would increase by 1%, it would increse variable leasing expenses by EUR 0.2 million.

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19. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Fazer has defined benefit pension plans in Sweden and Finland. The main defined benefit plans at 31 December 2022 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 2-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, are 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 2022, 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 employeés' service and annual salaries. The employees do not contribute towards this plan and the full cost of providing these benefits are met by the company.

Total costs recognised in the income statement

MEUR	2022	2021
Current service cost	0.0	0.1
Net interest (+expense / -income)	0.0	0.1
Total	**0.0**	**0.1**

Employee benefit assets and liabilities recognised in the balance sheet

MEUR	31 Dec 2022	31 Dec 2021
Present value of funded obligations	1.3	1.8
Fair value of plan assets	-1.4	-1.8
Underfunded (+) / overfunded (-)	-0.1	0.0
Present value of unfunded obligations	2.3	4.0
Net defined benefit liability (+) / asset (-)	**2.2**	**3.9**
Total defined benefit asset in the balance sheet	-0.1	-0.1
Total defined benefit liability in the balance sheet	2.3	4.0
Total defined benefit liability in the balance sheet	**2.2**	**3.9**

Present value of obligations and fair value of plan assets

MEUR	2022			2021		
	Present value of obligation	Fair value of plan assets	Net benefit liability/(asset)	Present value of obligation	Fair value of plan assets	Net benefit liability/(asset)
Carrying value, at 1 January	5.8	-1.8	3.9	5.9	-1.8	4.1
Transferred to discontinued operations	-0.5	-	-0.5	-	-	-
Current service cost	0.0	-	0.0	0.1	-	0.1
Interest expence (+) income (-)	0.1	0.0	0.0	0.1	0.0	0.1
Total recognised in the income statement	0.0	0.0	0.0	0.1	0.0	0.1
Actuarial gain and loss on obligations arising from changes in financial assumptions	-1.4	0.3	-1.1	0.0	0.0	0.0
Actuarial gain and loss on obligations arising from experience adjustments	0.4	0.0	0.4	0.2	-0.1	0.1
Return on plan assets in excess of the amount included in interest expense (+) and interest income (-)	-	-	-	-	-	-
Total remeasurement gains (-) and losses (+) included in OCI	**-1.0**	**0.2**	**-0.8**	**0.1**	**-0.1**	**0.0**
Contributions by employers and paid benefits	-0.3	-0.1	-0.4	-0.3	-0.1	-0.4
Paid benefits	-	0.1	0.1	-	0.1	0.1
Settlements	-0.1	0.1	0.0	-0.1	0.1	0.0
Exchange rate difference	-0.3	0.1	-0.2	-0.1	0.0	0.0
Carrying value, at 31 December	**3.6**	**-1.4**	**2.2**	**5.8**	**-1.8**	**3.9**

The expected contributions to be paid to the defined benefit plans in 2023 are EUR 224 thousand.

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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 dependent 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 a higher defined benefit obligation (DBO).

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

	2022	2021
Discount rate	3.48%	1.78%
Future pension increase	1.63%	1.77%
Salary increase	1.00%	1.81%
Inflation	2.10%	2.15%
Duration (years)	10.2	12.5

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

Assumption	Change in assumption	2022	2021
Discount rate	+0.50%	-0.2	-0.4
	-0.50%	0.2	0.4
Inflation	+0.50%	0.2	0.4
	-0.50%	-0.2	-0.3
Mortality	+1 year	0.1	0.2
	-1 year	-0.1	-0.2

20. TRADE AND OTHER PAYABLES

MEUR	31 Dec 2022	31 Dec 2021
Trade payables	120.5	130.5
Other current liabilities	18.7	16.6
Derivatives	9.4	3.3
Advance payments	0.1	0.2
Accrued expenses and prepaid income	85.5	87.1
Total	**234.1**	**237.6**

21. COMMITMENTS AND CONTINGENCIES

MEUR	31 Dec 2022	31 Dec 2021
Raw material purchases	44.0	56.1
Leasing	2.5	2.7
Other	-	-
Total	**46.5**	**58.9**

The company has made real estate investments under the Value Added Tax Act, whose revisions and annual auditable amounts are EUR 17.2 (18.1) million from years the 2014-2022.

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. They also include subsidiaries as well as associated companies and joint ventures.

Fazer has no loan receivables from members of the Board of Directors, the President & CEO or the 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 2022 and 2021. During 2021, members of the Board of Directors have acquired assets from Fazer for EUR 1.3 million and no other transactions have taken place during 2022 or 2021. There have been no transactions with members of, Fazer Leadership Team during 2022 and 2021.

Remuneration 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.

EUR thousand	2022	2021
Board remuneration	550	583

Remuneration 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	2022	2021
Paid salary	2,386	2,255
Short-term benefits	4,072	2,595
Long-term benefits	842	1,089
Total salary	7,301	5,939
Fringe benefits	69	66
Total	**7,370**	**6,005**

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

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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 in 2022 and 2021 are presented below. There were no assets and related liabilities classified as held for sale in 2021.

MEUR	2022	2021
Net sales	65.2	155.7
Other expenses and income, net	-71.5	-145.9
Result before taxes	-6.3	9.8
Income taxes	1.4	-2.2
Loss on sale of OOO Hlebny Dom	-13.1	-
Result from discontiued operations	**-18.0**	**7.6**

MEUR	2022	2021
Net cash flow from operating activities	1.0	5.7
Net cash flow from investing activities	110.1	-8.2
Net cash flow from financing activities	-17.2	-7.9
Net cash flow of discontinued operations	**93.9**	**-10.4**

Assets held for sale

MEUR	31 Dec 2022	31 Dec 2021
Assets		
Tangible assets	2.5	-
Other current receivables	0.0	-
Cash and cash equivalents	0.1	-
Total assets	2.6	-
Liabilities		
Deferred tax liabilities	0.4	-
Other current payables	0.0	-
Total liabilities	0.4	-

24. BUSINESS ACQUISITIONS AND DISPOSALS

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 intagible assets (among others customer relationshios and recepies) at the time of acquisition amounted to EUR 37.6 million. The EUR 155.2 million goodwill arising from the aqcuisition 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.

Fazer did not do any acquisitions or disposals in 2021.

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**

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25. SUBSIDIARIES

	Country	Group ownership (%) 2022	2021
Owned by the parent			
Fazer Bakeries B.V.	The Netherlands	70	70
Fazer Finland Oy	Finland	100	100
Fazer Leipomot Oy	Finland	100	100
Fazer Makeiset Oy	Finland	100	100
Fazer Ravintolat Oy	Finland	100	100
Oy NIS-Nordic Industrial Sales Ab	Finland	-	100
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 USA Inc.	USA	-	100
Fazer Poland Sp.z.o.o.	Poland	100	-
Kiinteistö Oy Helsingin Kanneltori	Finland	100	100
Crestjoy Oy	Finland	70	70
Startplace Oy	Finland	70	70
OOO Hlebny Dom (OOO Fazer) *	Russia	-	70
OOO Avangard *	Russia	70	70
OOO Startplace Bakeries Invest *	Russia	70	70
SIA Fazer Latvija	Latvia	100	100
UAB Fazer Lietuva	Lithuania	100	100
Trensums Food AB	Sweden	100	-
Trensums Prosessing AB	Sweden	100	-
Trensums Fastigheter i Tingsryd AB	Sweden	100	-

* These entities form discontinued operations

Changes in Group structure during 2022

- Fazer Finland Oy acquired Trensums Food AB and Trensums Fastigheter I Tingsryd AB in February 2022.
- Fazer Bakeries B.V. sold OOO Hlebny Dom (former OOO Fazer) in April 2022.
- Fazer Finland Oy acquired Snodtille Investments Sp.z.o.o. in April 2022, which was later renamed Fazer Poland Sp.z.o.o.
- Fazer USA Inc. was dissolved in July 2022.
- Oy NIS-Nordic Industrial Sales Ab was merged into Fazer Makeiset Oy in November 2022.

26. NON-CONTROLLING INTERESTS

	Fazer Bakeries B.V. Group The Netherlands	
MEUR	2022	2021
Non-controlling interests' share of voting right	30%	30%
Current assets	1.1	204.3
Non-current assets	215.8	55.3
Current liabilities	0.2	27.6
Non-current liabilities	0.7	5.8
Net sales	-	155.7
Costs and other income	-17.0	-149.2
Result for the period	-17.0	6.5
Result attributable to non-controlling interests	-5.1	1.9
Total other comprehensive income for the period	-8.0	10.6
Total other comprehensive income attributable to non-controlling interests	-2.4	3.2
Non-controlling interests share of equity	65.5	67.9
Dividents paid to non-controlling interests	-	-

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 to discontinued operations and business disposals can be found in notes 23 and 24.

27. EVENTS AFTER THE REPORTING PERIOD

In January 2023, Fazer announced plans to discontinuing its dairy business at the Koria factory, Finland and started collaboration negotiations at the Koria factory. Fazer has evaluated different options to improve the efficiency of its dairy business and all factory operations in Koria, and in February 2023, decided to discontinue the dairy business by the end of August 2023. In March, a few smaller collaboration negotiations were still ongoing in different functions.

In February 2023, Fazer and the City of Lahti signed a letter of intent (LOI) on the property transaction. The LOI precedes the actual real estate transaction and the final investment decision on Fazer's new confectionery factory.

On 8 March 2023, Fazer announced a change in the scope of its planned confectionery factory investment. Significant changes in the operating environment, such as rapidly escalating interest rates, changes in consumer behaviour and demand, and uncertainty caused by the ongoing health tax debate have affected the company's assessment. As a result, the scope of Fazer's confectionery factory investment planning has changed, and the company has decided to explore only the transfer of the production of chocolate products to the new factory. The production of sugar confectionery will thereby continue in Lappeenranta.

On 14 March, Fazer Bakery Finland announced the plans to change the organisational model of the shop-in-shop bakery business. To support profitable growth and at the same time to strengthen competitiveness, Fazer Bakery Finland considers changes that aim to adapt the shop-in-shop bakery organisation and its operating methods to the rapidly growing business and changes in the external operating environment. Fazer initiated change negotiations involving 660 employees working in the shop-in-shop bakery business organisation in Finland. Negotiations could lead to the termination of a maximum of 96 employments.

On 15 March, Fazer Bakery Finland announced that a new, energy-efficient production line is planned to be built in the Lahti bakery. With the investment, Fazer would develop its baking capabilities and improve energy efficiency. As a result of the planned changes, the number of production lines in Lahti would decrease. For this reason, Fazer Bakery Finland started change negotiations. The change negotiations concern in total 218 employees working in Fazer's bakery in Lahti. If implemented, the planned changes could lead to termination of maximum 54 employment contracts. Possible terminations of employment contracts would be carried out gradually during the years 2023–2025.

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PARENT COMPANY INCOME STATEMENT

EUR	Notes	2022	2021
Net sales	2.1	**96,223,082.43**	**95,993,080.16**
Other operating income	2.2	1,948,422.04	4,317,583.87
Materials and services		-326.07	38,264.21
Personnel costs	2.3	-14,603,894.05	-13,546,002.01
Depreciation and impairments	2.4	-9,145,205.86	-10,234,865.22
Other operating costs	2.5	-77,516,111.07	-77,095,629.00
Operating profit/loss		**-3,094,032.58**	**-527,567.99**
Financial income and expenses	2.6	8,642,318.47	7,571,924.53
Profit/loss before income tax and appropriations		**5,548,285.89**	**7,044,356.54**
Appropriations	2.7	-2,721,951.83	31,678,403.75
Income taxes	2.8	-578,580.68	-7,891,929.40
Profit for the year		**2,247,753.38**	**30,830,830.89**

PARENT COMPANY BALANCE SHEET

EUR	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	3.1	27,090,539.92	35,794,408.25
Tangible assets	3.2	27,414,431.92	29,420,603.59
Investments	3.3	1,088,469,326.02	888,469,326.02
Total non-current assets		**1,142,974,297.86**	**953,684,337.86**
Current assets			
Long-term receivables	3.4	256,695,540.30	243,019,110.71
Short-term receivables	3.5	133,345,695.45	165,368,996.59
Financial assets	3.6	-	25,968,565.51
Cash and cash equivalents		65,802,426.63	220,746,628.13
Total current assets		**455,843,662.38**	**655,103,300.94**
TOTAL ASSETS		**1,598,817,960.24**	**1,608,787,638.80**
EQUITY AND LIABILITIES			
Equity	3.7		
Share capital		134,124,780.00	134,124,780.00
Reserve for invested unrestricted equity		108,249,094.92	108,249,094.92
Retained earnings		816,253,306.57	876,627,326.08
Profit for the financial year		2,247,753.38	30,830,830.89
Total equity		**1,060,874,934.87**	**1,149,832,031.89**
Appropriations	3.8	**1,754,315.81**	**1,632,363.98**
Liabilities			
Long-term liabilities	3.9	261,274,427.34	41,734,252.78
Short-term liabilities	3.10	274,914,282.22	415,588,990.15
Total liabilities		**536,188,709.56**	**457,323,242.93**
TOTAL EQUITY AND LIABILITIES		**1,598,817,960.24**	**1,608,787,638.80**

STATEMENT OF CASH FLOWS FOR THE PARENT COMPANY

MEUR	2022	2021
Cash flows from operating activities		
Result before appropriations and taxes	5.5	7.0
Adjustments		
Depreciations and impairments	9.1	10.2
Financial income and expenses	-8.6	-7.6
Items included in investing activites	2.9	-1.9
Non-cash income and expenses	-	0.0
Total adjustments	3.5	0.8
Change in working capital		
Decrease (+) / (-) increase in short-term receivables	13.5	-4.8
Decrease (-) / (+) increase in short-term payables	-7.0	-17.0
Total change in working capital	6.5	-21.8
Interests received	11.8	7.4
Interests paid	-4.9	-4.0
Other financial income and expenses, net	2.5	1.5
Dividends received	-	0.2
Income taxes paid	-10.1	-12.4
Net cash from operating activities	**14.9**	**-21.1**
Cash flows from investing activities:		
Purchase of tangible and intangible assets	-1.7	-4.8
Proceeds from sale of tangible and intangible assets	0.3	2.3
Investments in shares of subsidiaries	-200.0	-0.3
Proceeds from sale of shares of subsidiaries	57.1	-
Investment in current financial assets	-	-126.6
Proceeds from sale of current financial assets	26.0	127.1
Net cash from investing activities	**-118.4**	**-2.3**

MEUR	2022	2021
Cash flows from financing activities:		
Increase in loan receivables	-528.2	-389.3
Decreae in loan receivables	491.6	300.5
Proceeds from debt	395.1	262.7
Repayment of debt	-359.0	-190.7
Net change of balance in group cash pool	-1.1	48.7
Net change of commercial papers	9.9	-63.9
Group contributions paid and received, net	31.5	42.4
Dividends paid	-91.2	-96.6
Net cash from financing activities	**-51.4**	**-86.1**
Increase (+) / decrease (-) in cash and cash equivalents	**-154.9**	**-109.5**
Cash and cash equivalents at beginning of period	220.7	330.2
Cash and cash equivalents at end of period	**65.8**	**220.7**

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1. PRINCIPLES FOR PREPARING FINANCIAL STATEMENTS IN PARENT COMPANY

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

Net sales

The parent company's operations consist of different types of charges from other group companies. These charges consist of IT services, service 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.

Research and development expenditures

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 the 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.

Non-current assets

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

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

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

Financial instruments

Derivatives not designated as hedging instruments are recognised at fair value through profit and loss. Derivatives are initially valued at cost and subsequently at fair value determined 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. External derivatives are executed by Oy Karl Fazer Ab on behalf of group companies. Corresponding intragroup derivatives are made between Oy Karl Fazer Ab and its subsidiaries.

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. Exchage rate gains and losses are presented net as either income or loss.

Fazer Group hedges against wheat, cocoa and electricity price risks by using options and futures. Gains and losses related to commodity derivatives are recognised net among financial items in the income statement.

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.

Cash flow statement

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

2. NOTES TO THE INCOME STATEMENT

2.1 Net sales

Net sales by geographical area

MEUR	2022	2021
Finland	75.1	73.0
Other Nordic Countries	18.4	17.7
Russia	0.6	3.7
The Baltics	2.0	1.5
Other	0.1	0.1
Total	**96.2**	**96.0**

2.2 Other operating income

MEUR	2022	2021
Rental income	1.8	1.7
Sale of services	0.0	0.5
Sale of fixed assets *	0.0	1.9
Other	0.2	0.3
Total	**1.9**	**4.3**

* 2021 amount includes gain on sale of leisure properties of which one is sold to a related party.

2.3 Personnel expenses and number of employees on average

MEUR	2022	2021
Salaries and wages	11.8	11.0
Pension expenses	1.9	1.8
Other social security costs	0.8	0.8
Total	**14.6**	**13.5**

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

MEUR		
Members of the Board of Directors	0.6	0.6
President & CEO and members of Fazer Leadership Team	6.5	5.1
Total	**7.0**	**5.7**

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 57 (54).

2.4 Depreciations and amortisations

MEUR	2022	2021
Immaterial rights	6.4	6.7
Other capitalised expenditure	1.7	2.5
Buildings and structures	0.7	0.6
Machinery and equipment	0.2	0.3
Other tangible assets	0.1	0.1
Total	**9.1**	**10.2**

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2.5 Other operating expenses

MEUR	2022	2021
Rents and other real estate expenses	0.9	0.8
Marketing and communication expenses	0.2	-0.5
IT- and telecommunication expenses	16.7	15.9
Administrative and other expenses	59.7	60.9
Total	**77.5**	**77.1**

Fees to the auditor

MEUR	2022	2021
PricewaterhouseCoopers Oy		
Audit fees	0.1	0.1
Audit related services	-	-
Tax services	-	-
Other services	0.1	0.2
Total	**0.2**	**0.4**

2.6 Financial income and expenses

MEUR	2022	2021
Dividends from Group companies	-	0.2
Dividends from others	0.0	0.0
Interest income from Group companies	11.7	5.0
Interest income from others	1.4	1.5
Commodity derivatives, gains and losses net	-	0.0
Exchange rate gains and losses, net	-	-
Other financing income	9.7	8.0
Financial income total	**22.8**	**14.7**
Interest expenses to Group companies	-3.3	-3.5
Interest expenses to others	-1.4	-1.1
Commodity derivatives, gains and losses net	-	-
Exchange rate gains and losses, net	-3.0	-
Other financing expenses	-6.5	-2.5
Financial expenses total	**-14.2**	**-7.1**
Financial income and expenses, net	**8.6**	**7.6**

2.7 Appropriations

MEUR	2022	2021
Depreciation difference (- increase / + decrease)	-0.1	0.2
Group contributions, received	60.1	69.0
Group contributions, given	-62.7	-37.5
Total	**-2.7**	**31.7**

2.8 Income taxes

MEUR	2022	2021
Tax on income from operations	-0.6	-7.9
Tax for previous accounting periods	-	0.0
Total	**-0.6**	**-7.9**

3. NOTES TO THE BALANCE SHEET

3.1 Intangible assets

MEUR	Immaterial rights	Other capitalised expenditures	Total
Cost at 1 Jan 2021	**69.3**	**41.7**	**111.0**
Additions	-	2.7	2.7
Disposals	-	-0.1	-0.1
Reclassifications	-	1.2	1.2
Cost at 31 Dec 2021	**69.3**	**45.5**	**114.8**
Additions	-	1.3	1.3
Disposals	-4.0	-2.7	-6.7
Reclassifications	-	1.0	1.0
Cost at 31 Dec 2022	**65.3**	**45.1**	**110.4**
Accumulated depreciation and impairment losses at 1 Jan 2021	**-31.2**	**-38.7**	**-69.9**
Depreciations for the period	-6.7	-2.5	-9.2
Depreciations on disposals	-	0.1	0.1
Reclassifications	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2021	**-37.9**	**-41.1**	**-79.0**
Depreciations for the period	-6.4	-1.7	-8.1
Depreciations on disposals	1.5	2.2	3.8
Reclassifications	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2022	**-42.8**	**-40.5**	**-83.3**
Carrying amount			
31 Dec 2022	22.5	4.5	27.1
31 Dec 2021	31.4	4.4	35.8

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3.2 Tangible assets

MEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost at 1 Jan 2021	**2.9**	**17.3**	**6.5**	**2.2**	**2.3**	**31.2**
Additions	-	0.7	-	-	1.4	2.1
Disposals	-0.2	-0.1	-0.1	-	-0.3	-0.7
Reclassifications	-	0.4	-	-	-1.6	-1.2
Cost at 31 Dec 2021	**2.7**	**18.3**	**6.4**	**2.2**	**1.8**	**31.4**
Additions	-	0.0	0.0	-	0.3	0.3
Disposals	-	0.0	-	-	-0.3	-0.3
Reclassifications	-	0.2	0.3	-	-1.5	-1.0
Cost at 31 Dec 2022	**2.7**	**18.5**	**6.8**	**2.2**	**0.3**	**30.5**
Revaluations 31 Dec 2022	**8.7**					**8.7**
Revaluations 31 Dec 2021	**8.7**					**8.7**
Accumulated depreciation and impairment losses at 1 Jan 2021	**-**	**-3.2**	**-5.6**	**-1.1**	**-**	**-9.8**
Depreciations for the period	-	-0.6	-0.3	-0.1	-	-1.1
Depreciations on disposals	-	0.1	0.1	0.0	-	0.2
Reclassifications	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2021	**-**	**-3.7**	**-5.8**	**-1.2**	**-**	**-10.7**
Depreciations for the period	-	-0.7	-0.2	-0.1	-	-1.1
Depreciations on disposals	-	0.0	-	-	-	0.0
Reclassifications	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2022	**-**	**-4.4**	**-6.1**	**-1.3**	**-**	**-11.7**
Carrying amount						
31 Dec 2022	11.4	14.1	0.7	0.9	0.3	27.4
31 Dec 2021	11.4	14.6	0.6	1.0	1.8	29.4

3.3 Investments

MEUR	Shares in subsidiaries	Other shares and holdings	Total
Cost at 1 Jan 2021	**877.5**	**10.6**	**888.1**
Additions	0.3	-	0.3
Disposals	-	-	-
Cost at 31 Dec 2021	**877.9**	**10.6**	**888.5**
Additions	200.0	-	200.0
Disposals	-	-	-
Cost at 31 Dec 2022	**1,077.9**	**10.6**	**1,088.5**

Information on Oy Karl Fazer Ab's ownership in other group companies as at 31 December 2022 can be found in note 25 in the consolidated financial statements.

3.4 Long term receivables

MEUR	31 Dec 2022	31 Dec 2021
Loan receivables from Group companies	256.7	186.0
Other receivables	-	57.1
Long term receivables total	**256.7**	**243.0**

3.5 Short-term receivables

MEUR	31 Dec 2022	31 Dec 2021
Trade receivables	0.0	0.0
Receivables from Group companies	97.7	146.2
Other loan receivables	-	-
Other receivables	1.0	1.3
Accruals	34.6	17.8
Total	**133.3**	**165.4**
Receivables from Group companies		
Trade receivables	0.3	12.5
Loan receivables	25.8	61.8
Group contribution	60.1	69.0
Other receivables	7.3	0.2
Accruals	4.3	2.6
Total	**97.7**	**146.2**
Material items in accruals		
Accrued income taxes	13.0	4.6
Derivatives	18.6	9.6
Other	3.1	3.6
Total	**34.6**	**17.8**

3.6 Financial assets

MEUR	31 Dec 2022	31 Dec 2021
Carrying amount	-	26.0
Fair value	-	26.0
Difference	**-**	**0.0**

The company invests excess liquidity in interest funds and other highly liquid short-term debt instruments in order to secure return on them. Fazer Group's treasury policy defines what investments can be made, but the investments needs to meet certain credit quality and duration. More information can be found in notes 12.1–12.3 in the consolidated financial statements.

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3.7 Equity

MEUR	31 Dec 2022	31 Dec 2021
Restricted equity		
Share capital 1.1	134.1	134.1
Share capital 31.12	**134.1**	**134.1**
Restricted equity total	**134.1**	**134.1**
Non-restricted equity		
Reserve for invested unrestricted equity 1.1	108.2	108.2
Reserve for invested unrestricted equity 31.12	**108.2**	**108.2**
Retained earnings 1.1	907.5	973.2
Payment of dividends	-91.2	-96.6
Retained earnings 31.12	**816.3**	**876.6**
Profit for the period	2.2	30.8
Non-restricted equity total	**926.8**	**1,015.7**
Total equity	**1,060.9**	**1,149.8**

Share capital by classes of shares	31 Dec 2022	31 Dec 2021
Number of shares		
Preference shares	4,341,039	4,341,039
Ordinary shares	2,365,200	2,365,200
Total	**6,706,239**	**6,706,239**

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

3.8 Appropriations

MEUR	31 Dec 2022	31 Dec 2021
Accumulated depreciation difference	1.8	1.6
- unrecognised deferred tax liability	0.4	0.3

3.9 Long-term liabilities

MEUR	31 Dec 2022	31 Dec 2021
Deferred tax liability	1.7	1.7
Loans from Group companies	225.3	-
Loans from financial institutions	34.3	40.0
Long-term liabilities total	**261.3**	**41.7**

Deferred tax liabilities arises from the following

MEUR	31 Dec 2022	31 Dec 2021
Revaluations	1.7	1.7
Total	**1.7**	**1.7**

3.10 Short-term liabilities

MEUR	31 Dec 2022	31 Dec 2021
Other interest-bearing liabilities	24.0	25.2
Loans from financial institutions	5.7	-
Commercial papers	23.9	14.0
Liabilities to Group companies	198.6	357.6
Trade payables	4.0	4.9
Advances received	-	-
Other liabilities	2.0	1.1
Accruals	16.6	12.8
Total	**274.9**	**415.6**
Liabilities to Group companies		
Other interest bearing liabilities	131.6	310.5
Trade payables	0.2	5.1
Group contributions	62.7	37.5
Derivatives	1.9	0.9
Accrued liabilities	2.3	3.6
Total	**198.6**	**357.6**
Material items in accruals		
Accrued tax liability	0.0	1.1
Wages, salaries and social expenses	6.2	5.6
Interests	0.3	0.3
Derivatives	8.0	3.3
Other	2.2	2.5
Total	**16.6**	**12.8**

4. OTHER NOTES

4.1 Guarantees

Guarantees given on behalf of other Group companies

MEUR	31 Dec 2022	31 Dec 2021
Guarantees	18.4	7.6

4.2 Leasing and rental liabilities

MEUR	31 Dec 2022	31 Dec 2021
Due for payment the following financial period	1.5	1.3
Due for payment later	1.0	1.5
Total	**2.5**	**2.8**

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4.3 Other contingent liabilities

MEUR	31 Dec 2022	31 Dec 2021
Others	-	-

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. Below are the yearly liabilities based on the qualifying investments for the last 10 years.

MEUR	31 Dec 2022	31 Dec 2021
From year 2014	0.0	0.0
From year 2015	-	-
From year 2016	1.7	2.1
From year 2017	0.0	0.0
From year 2018	0.0	0.0
From year 2019	-	-
From year 2020	-	-
From year 2021	0.2	0.2
From year 2022	0.0	-
Total	**2.0**	**2.4**

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 derviatives are measured through profit or loss and they are included in finacial income and expenses. The fair value of the derivatives equals their carrying amount at year-end.

Fair values of derivatives

	31 Dec 2022			31 Dec 2021		
MEUR	Pos.	Neg.	Net	Pos.	Neg.	Net
Currency derivatives						
External	0.3	-0.9	-0.5	1.0	-0.4	0.6
With entities in the same group	0.9	0.0	0.8	0.0	-0.7	-0.7
Commodity derivatives						
External	18.3	-8.2	10.1	9.3	-2.9	6.4
With entities in the same group	1.2	-1.9	-0.7	0.1	-0.4	-0.3
Total	**20.6**	**-11.0**	**9.7**	**10.3**	**-4.3**	**6.0**

Nominal values of derivatives

MEUR	31 Dec 2022	31 Dec 2021
Currency forward contracts		
External	67.3	122.5
With entities in the same group	31.0	29.4
Currency options		
External	-	-
With entities in the same group	-	-
Commodity futures		
External	49.3	22.2
With entities in the same group	31.0	15.4
Commodity options		
External	-	-
With entities in the same group	-	-

SIGNATURES OF THE BOARD OF DIRECTORS REPORT AND FINANCIAL STATEMENTS

Vantaa, 17th March 2023

Casper von Koskull
Chairman of the Board of Directors

Harry Brouwer
Member of the Board of Directors

Elisabeth Drejer von Sydow
Member of the Board of Directors

Ketil Eriksen
Member of the Board of Directors

Jan Fazer
Member of the Board of Directors

Johan Linder
Member of the Board of Directors

Cecilia Marlow
Member of the Board of Directors

Juhani Mäkinen
Member of the Board of Directors

Laura Tarkka
Member of the Board of Directors

Christoph Vitzthum
Chief Executive Officer

AUDITOR'S NOTE

Our auditors' report has been issued today

Helsinki, 17th March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant



fazergroup.com

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Tilintarkastuskertomus

Oy Karl Fazer Ab:n yhtiökokoukselle

Tilinpäätöksen tilintarkastus

Lausunto

Lausuntonamme esitämme, että

- konsernitilinpäätös antaa oikean ja riittävän kuvan konsernin taloudellisesta asemasta sekä sen toiminnan tuloksesta ja rahavirroista EU:ssa käyttöön hyväksyttyjen kansainvälisten tilinpäätösstandardien (IFRS) mukaisesti

- tilinpäätös antaa oikean ja riittävän kuvan emoyhtiön toiminnan tuloksesta ja taloudellisesta asemasta Suomessa voimassa olevien tilinpäätöksen laatimista koskevien säännösten mukaisesti ja täyttää lakisääteiset vaatimukset.

Tilintarkastuksen kohde

Olemme tilintarkastaneet Oy Karl Fazer Ab:n (y-tunnus 0202669-3) tilinpäätöksen tilikaudelta 1.1.–31.12.2022. Tilinpäätös sisältää:

- konsernin taseen, konsernin tuloslaskelman, konsernin laajan tuloslaskelman, laskelman konsernin oman pääoman muutoksista, konsernin rahavirtalaskelman ja konsernitilinpäätöksen liitetiedot, mukaan lukien yhteenveto merkittävistä tilinpäätöksen laatimisperiaatteista

- emoyhtiön taseen, emoyhtiön tuloslaskelman, emoyhtiön rahavirtalaskelman ja emoyhtiön liitetiedot.

Lausunnon perustelut

Olemme suorittaneet tilintarkastuksen Suomessa noudatettavan hyvän tilintarkastustavan mukaisesti. Hyvän tilintarkastustavan mukaisia velvollisuuksiamme kuvataan tarkemmin kohdassa Tilintarkastajan velvollisuudet tilinpäätöksen tilintarkastuksessa.

Käsityksemme mukaan olemme hankkineet lausuntomme perustaksi tarpeellisen määrän tarkoitukseen soveltuvaa tilintarkastusevidenssiä.

Riippumattomuus

Olemme riippumattomia emoyhtiöstä ja konserniyrityksistä niiden Suomessa noudatettavien eettisten vaatimusten mukaisesti, jotka koskevat suorittamaamme tilintarkastusta ja olemme täyttäneet muut näiden vaatimusten mukaiset eettiset velvollisuutemme.

Tilinpäätöstä koskevat hallituksen ja toimitusjohtajan velvollisuudet

Hallitus ja toimitusjohtaja vastaavat tilinpäätöksen laatimisesta siten, että konsernitilinpäätös antaa oikean ja riittävän kuvan EU:ssa käyttöön hyväksyttyjen kansainvälisten tilinpäätösstandardien (IFRS) mukaisesti ja siten, että tilinpäätös antaa oikean ja riittävän kuvan Suomessa voimassa olevien tilinpäätöksen laatimista koskevien säännösten mukaisesti ja täyttää lakisääteiset vaatimukset. Hallitus ja toimitusjohtaja vastaavat myös sellaisesta sisäisestä valvonnasta, jonka ne katsovat tarpeelliseksi voidakseen laatia tilinpäätöksen, jossa ei ole väärinkäytöksestä tai virheestä johtuvaa olennaista virheellisyyttä.

Hallitus ja toimitusjohtaja ovat tilinpäätöstä laatiessaan velvollisia arvioimaan emoyhtiön ja konsernin kykyä jatkaa toimintaansa ja soveltuvissa tapauksissa esittämään seikat, jotka liittyvät toiminnan jatkuvuuteen ja siihen, että tilinpäätös on laadittu toiminnan jatkuvuuteen perustuen. Tilinpäätös laaditaan toiminnan jatkuvuuteen perustuen, paitsi jos emoyhtiö tai konserni aiotaan purkaa tai toiminta lakkauttaa tai ei ole muuta realistista vaihtoehtoa kuin tehdä niin.

Tilintarkastajan velvollisuudet tilinpäätöksen tilintarkastuksessa

Tavoitteenamme on hankkia kohtuullinen varmuus siitä, onko tilinpäätöksessä kokonaisuutena väärinkäytöksestä tai virheestä johtuvaa olennaista virheellisyyttä, sekä antaa tilintarkastuskertomus, joka sisältää lausuntomme. Kohtuullinen varmuus on korkea varmuustaso, mutta se ei ole tae siitä, että olennainen virheellisyys aina havaitaan hyvän tilintarkastustavan mukaisesti suoritettavassa tilintarkastuksessa. Virheellisyyksiä voi aiheutua väärinkäytöksestä tai virheestä, ja niiden katsotaan olevan olennaisia, jos niiden yksin tai yhdessä voisi kohtuudella odottaa vaikuttavan taloudellisiin päätöksiin, joita käyttäjät tekevät tilinpäätöksen perusteella.

Hyvän tilintarkastustavan mukaiseen tilintarkastukseen kuuluu, että käytämme ammatillista harkintaa ja säilytämme ammatillisen skeptisyyden koko tilintarkastuksen ajan. Lisäksi:

- tunnistamme ja arvioimme väärinkäytöksestä tai virheestä johtuvat tilinpäätöksen olennaisen virheellisyyden riskit, suunnittelemme ja suoritamme näihin riskeihin vastaavia tilintarkastustoimenpiteitä ja hankimme lausuntomme perustaksi tarpeellisen määrän tarkoitukseen soveltuvaa tilintarkastusevidenssiä. Riski siitä, että väärinkäytöksestä johtuva olennainen virheellisyys jää havaitsematta, on suurempi kuin riski siitä, että virheestä johtuva olennainen virheellisyys jää havaitsematta, sillä väärinkäytökseen voi liittyä yhteistoimintaa, väärentämistä, tietojen tahallista esittämättä jättämistä tai virheellisten tietojen esittämistä taikka sisäisen valvonnan sivuuttamista.

- muodostamme käsityksen tilintarkastuksen kannalta relevantista sisäisestä valvonnasta pystyäksemme suunnittelemaan olosuhteisiin nähden asianmukaiset tilintarkastustoimenpiteet mutta emme siinä tarkoituksessa, että pystyisimme antamaan lausunnon emoyhtiön tai konsernin sisäisen valvonnan tehokkuudesta.

- arvioimme sovellettujen tilinpäätöksen laatimisperiaatteiden asianmukaisuutta sekä johdon tekemien kirjanpidollisten arvioiden ja niistä esitettävien tietojen kohtuullisuutta.

- teemme johtopäätöksen siitä, onko hallituksen ja toimitusjohtajan ollut asianmukaista laatia tilinpäätös perustuen oletukseen toiminnan jatkuvuudesta, ja teemme hankkimamme tilintarkastusevidenssin perusteella johtopäätöksen siitä, esiintyykö sellaista tapahtumiin tai olosuhteisiin liittyvää olennaista epävarmuutta, joka voi antaa merkittävää aihetta epäillä emoyhtiön tai konsernin kykyä jatkaa toimintaansa. Jos johtopäätöksemme on, että olennaista epävarmuutta esiintyy, meidän täytyy kiinnittää tilintarkastuskertomuksessamme lukijan huomiota epävarmuutta koskeviin tilinpäätöksessä esitettäviin tietoihin tai, jos epävarmuutta koskevat tiedot eivät ole riittäviä, mukauttaa lausuntomme. Johtopäätöksemme perustuvat tilintarkastuskertomuksen antamispäivään mennessä hankittuun tilintarkastusevidenssiin. Vastaiset tapahtumat tai olosuhteet voivat kuitenkin johtaa siihen, ettei emoyhtiö tai konserni pysty jatkamaan toimintaansa.

- arvioimme tilinpäätöksen, kaikki tilinpäätöksessä esitettävät tiedot mukaan lukien, yleistä esittämistapaa, rakennetta ja sisältöä ja sitä, kuvastaako tilinpäätös sen perustana olevia liiketoimia ja tapahtumia siten, että se antaa oikean ja riittävän kuvan.

- hankimme tarpeellisen määrän tarkoitukseen soveltuvaa tilintarkastusevidenssiä konserniin kuuluvia yhteisöjä tai liiketoimintoja koskevasta taloudellisesta informaatiosta pystyäksemme antamaan lausunnon konsernitilinpäätöksestä. Vastaamme konsernin tilintarkastuksen ohjauksesta, valvonnasta ja suorittamisesta. Vastaamme tilintarkastuslausunnosta yksin.

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Kommunikoimme hallintoelinten kanssa muun muassa tilintarkastuksen suunnitellusta laajuudesta ja ajoituksesta sekä merkittävistä tilintarkastushavainnoista, mukaan lukien mahdolliset sisäisen valvonnan merkittävät puutteellisuudet, jotka tunnistamme tilintarkastuksen aikana.

Muut raportointivelvoitteet

Muu informaatio

Hallitus ja toimitusjohtaja vastaavat muusta informaatiosta. Muu informaatio, jonka olemme saaneet käyttöömme ennen tämän tilintarkastuskertomuksen antamispäivää, on toimintakertomus.

Tilinpäätöstä koskeva lausuntomme ei kata muuta informaatiota.

Velvollisuutenamme on lukea muu informaatio tilinpäätöksen tilintarkastuksen yhteydessä ja tätä tehdessämme arvioida, onko muu informaatio olennaisesti ristiriidassa tilinpäätöksen tai tilintarkastusta suoritettaessa hankkimamme tietämyksen kanssa tai vaikuttaako se muutoin olevan olennaisesti virheellistä. Toimintakertomuksen osalta velvollisuutenamme on lisäksi arvioida, onko toimintakertomus laadittu sen laatimiseen sovellettavien säännösten mukaisesti.

Lausuntonamme esitämme, että toimintakertomuksen ja tilinpäätöksen tiedot ovat yhdenmukaisia ja että toimintakertomus on laadittu toimintakertomuksen laatimiseen sovellettavien säännösten mukaisesti.

Jos teemme ennen tilintarkastuskertomuksen antamispäivää käyttöömme saamaamme muuhun informaatioon kohdistamamme työn perusteella johtopäätöksen, että kyseisessä muussa informaatiossa on olennainen virheellisyys, meidän on raportoitava tästä seikasta. Meillä ei ole tämän asian suhteen raportoitavaa.

Muut lausumat

Puollamme tilinpäätöksen vahvistamista. Hallituksen esitys taseen osoittaman voiton käyttämisestä on osakeyhtiölain mukainen. Puollamme vastuuvapauden myöntämistä hallituksen jäsenille ja toimitusjohtajalle tarkastamaltamme tilikaudelta.

Helsingissä 17.3.2023

PricewaterhouseCoopers Oy
Tilintarkastusyhteisö

Martin Grandell
KHT

Härmed intygas kopians
överensstämmelse med
originalet

Josefin Isaksson
0701-865222

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Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Oy Karl Fazer Ab

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Oy Karl Fazer Ab (business identity code 0202669-3) for the year ended 31 December 2022. The financial statements comprise:

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

- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

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

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

Independence

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

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they

determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible

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for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Requirements

Other Information

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

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

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

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

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

Other Statements

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

Helsinki 17 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant (KHT)