



FAZER GROUP JANUARY–DECEMBER 2021: SOLID PERFORMANCE CONTINUED

Financial information in this press release is derived from the Fazer Group's consolidated financial statements, which are prepared in accordance with the International Financial Reporting Standards (IFRS). The financial information in this release is unaudited. The 2021 financial statements will be published in week 11.

The sale of the Fazer Food Services was completed on 31 January 2020. Fazer Food Services is reported as discontinued operations for the one-month period ending 31 January 2020. In 2020, Fazer Food Services' net sales totalled EUR 50.8 million. Figures in brackets, unless otherwise stated, refer to the same period previous year.

JANUARY–DECEMBER 2021 HIGHLIGHTS

- Net sales increased by 4% to EUR 1,139.8 million (1,101.2) following the strong sales growth in Fazer Confectionery.
- Comparable EBITDA increased by 2% to EUR 127.8 million (125.0). The comparable EBITDA margin was at the previous year level 11.2% (11.4%). EBITDA decreased by 11% to EUR 104.6 million (117.4).
- Items affecting comparability in EBITDA totalled EUR 23.2 million (7.6) and were mainly related to the changes made in Fazer Bakery's operating model in Sweden.
- Comparable operating profit increased by 3% to EUR 62.8 million (60.8), which represents 5.5% of net sales (5.5%).
- Cash flow from operating activities totalled EUR 77.5 million (152.4), the decrease was mainly due to unfavourable working capital development.

FAZER GROUP'S KEY FIGURES

MEUR, or as indicated	1-12/2021	1-12/2020	Change
Continuing operations			
Net sales	1,139.8	1,101.2	4%
Comparable EBITDA	127.8	125.0	2%
Comparable EBITDA%	11.2%	11.4%	
Items affecting comparability in EBITDA	23.2	7.6	204%
EBITDA	104.6	117.4	-11%
EBITDA%	9.2%	10.7%	
Comparable operating profit	62.8	60.8	3%
Comparable operating profit%	5.5%	5.5%	
Items affecting comparability in operating profit	22.9	8.9	158%
Operating profit	39.9	51.9	-23%
Operating profit%	3.5%	4.7%	
Result before taxes	45.6	41.8	9%
Result for the period, continuing operations	31.6	32.6	-3%
Result for the period	32.0	440.4	-93%
Cash flow from operating activities	77.5	152.4	-49%
Return on equity, %	3.5%	58.8%	
Equity ratio, %	68.3%	70.7%	

FAZER GROUP'S PRESIDENT AND CEO CHRISTOPH VITZTHUM:

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

Fazer Bakery's performance was solid in 2021, with net sales at the previous year's level. We continued to actively develop the Fazer Bakery business during the year. We introduced a new operating model in Fazer Bakery Sweden, including a reseller and distribution agreement with Polfärskt, and closed our bakery in Lund in September. The new model has been successful, and we already see positive results in terms of improved profitability, customer service and reduced environmental footprint. In Russia, demand has been strong, especially in bake-off. Our Russian business was, however, particularly challenged by the increases in raw material prices as well as the limited availability of production personnel. Fazer Bakery Finland had a very successful year with strong performance: we opened 17 new bakeries under our popular shop-in-shop concept, bringing their number to a total of 120. Fazer Bakery shop-in-shops already employ a total of 700 people in Finland. Our retail customers' interest in the concept remains high and the expansion of the bakery network is expected to continue. The successful bakery shop-in-shop concept has also been brought to Estonia, where there are currently 10 shop-in-shop bakeries, five of which opened in 2021. Furthermore, we are investigating the opportunities of further geographical expansion of the concept.

Fazer Confectionery performed particularly well during the year and net sales increased by 8%, with all time high sales in the last quarter of the year. The commercial performance was strong, with excellent growth in e.g., countlines, gifts and seasonal. Although the volatility in the Fazer Retail business, caused by continuously changing restrictions, continued throughout the year, we saw a partial recovery from 2020. Our Travel Retail business also started to recover from the very low numbers in 2020 but remained clearly at a lower-than-normal level. In the autumn, we launched a project to investigate and innovate solutions for confectionery production in the future and concluded that investing in a new world-class factory in Finland would meet future consumer expectations, enhance working conditions and improve energy efficiency. If the plan is realised, the new factory would replace the existing factories in Vantaa and Lappeenranta.

Fazer Lifestyle Foods' net sales were stable at the previous year's level. We continued to develop the business and reorganised the business into five business units to bring out the full potential in terms of top line growth and efficiency. In the autumn, we inaugurated our new oat mills in Sweden and Finland, thereby doubling our oat milling capacity in both markets. We also started the ramp up of operations in our xylitol factory. Through the acquisition of the Swedish market leading producer of plant-based drinks, Trensums Food, and the investments in Korea to support the expansion of oat drink capacity, Fazer has a solid platform to support growth in the oat drink category. I see strong momentum for Fazer Lifestyle Foods going forward.

The industry we are operating in and the whole food system is currently undergoing a fundamental change. The global climate crisis, increasing pace of food innovations and the rise of new technologies as well as fast evolving consumer trends are changing the way food is produced, distributed, and consumed. This has a significant impact on the environment, on society and on our well-being. In addition to the awarded circular economy innovation, Fazer xylitol factory, we progressed in sustainability on several fronts during the year. Key highlights include the approval of our Science Based Targets (SBTi) and our updated Sustainability Ambitions.

In 2022, we will continue our transformation journey with full focus on our FMCG strategy. Our in-depth understanding of consumers' needs and expectations guide the strategic choices we make in all our businesses today and shape our portfolio for tomorrow – whether through product evolution, innovations, partnerships, or acquisitions. The possibility of a potential broadening of our shareholder base through a public listing, communicated in 2021, remains an option at some point in the future.

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Fazer Group

Fazer, The Food Experience Company, enables people to enjoy the best moments of their day. Our mission, Food with a purpose, builds on our strong 130-year heritage, consumer first approach and innovations to create the sustainable food solutions of the future. With our dedicated team of 8,000 professionals, we focus on fast-moving consumer goods and our direct-to-consumer business in the Nordics, Baltics, Russia, and beyond with exports to some 40 different countries. Fazer's operations comply with its Code of Conduct that is based on the Group's values and the UN Global Compact. In 2021, Fazer Group had net sales of 1.1 billion euros.

Northern Magic. Made Real.

FAZER GROUP DEVELOPMENT IN 2021

NET SALES AND PROFITABILITY

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

Net sales by business, MEUR	1-12/2021	1-12/2020	Change
Fazer Bakery	553.9	548.0	1%
Fazer Confectionery	433.5	400.1	8%
Fazer Lifestyle Foods	179.5	177.3	1%
Common operations	18.1	15.1	20%
Eliminations	-45.2	-39.2	15%
Net sales, total	1,139.8	1,101.2	4%

Net sales by country, MEUR	1-12/2021	1-12/2020	Change
Finland	638.5	615.3	4%
Sweden	218.6	230.8	-5%
Russia	157.4	147.9	6%
Estonia	23.5	19.9	19%
Latvia	15.5	14.8	5%
Norway	15.5	7.5	107%
Lithuania	14.0	13.6	3%
Denmark	13.8	14.8	-6%
Other countries	42.9	36.8	17%
Net sales, total	1,139.8	1,101.2	4%

Fazer Group's comparable EBITDA increased by 2% and totalled EUR 127.8 million (125.0) or 11.2% (11.4%) 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 decreased clearly compared to the previous year and totalled EUR 104.6 million (117.4) or 9.2% (10.7%) of net sales. EBITDA included items affecting comparability totalling EUR 23.2 million (7.6), mainly relating to the implementation of the new operating model in Fazer Bakery Sweden. Fazer Group's 2021 comparable operating profit improved and totalled EUR 62.8 million (60.8), or 5.5% (5.5%) of net sales. Operating profit totalled EUR 39.9 million (51.9), representing 3.5% (4.7%) of net sales.

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

FINANCIAL POSITION AND CASH FLOW

Fazer Group's cash flow from operating activities amounted to EUR 77.5 million (152.4). The decrease was mainly due to working capital development. Cash and cash equivalents

amounted to EUR 226.5 million (345.6). Interest-bearing net debt totalled -95.2 million (-213.3) and gearing was -10.9% (-22.8%). At the end of December, the consolidated balance sheet amounted to EUR 1,278.2 million (1,322.8). The Group's equity ratio was 68.3% (70.7%).

CAPITAL EXPENDITURE

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

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

PERSONNEL

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

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

Personnel by Business Area	31.12.2021	31.12.2020	Change
Fazer Bakery	5,170	5,880	-12%
Fazer Confectionery	2,044	1,904	7%
Fazer Lifestyle Foods	551	428	29%
Common Operations	284	284	-

Personnel by country	31.12.2021	31.12.2020	Change
Finland	4,079	3,681	11%
Russia	2,344	2,376	-1%
Sweden	1,027	1,762	-42%
Latvia	275	296	-7%
Lithuania	212	250	-15%
Estonia	77	72	7%
Denmark	24	52	-54%
Norway	11	7	57%

RESEARCH AND DEVELOPMENT

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

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

SUSTAINABILITY

Fazer develops food as a solution for a more sustainable planet and business and acknowledges the substantial impact that the way food is grown, produced and consumed has on people's well-being, on the environment, and on society.

In 2021, Fazer made good progress in the implementation of its sustainability agenda and related actions. Based on a substantial analysis of Fazer's manufacturing footprint and operations, business specific roadmaps to reduce CO₂ emissions in line with the Paris agreement ambition level by 2030 were defined, and Fazer's targets were approved by the Science-Based Targets initiative in December. In order to reach the targets, Fazer focuses its actions on fossil-free energy and energy efficiency.

During the year, Fazer conducted a materiality analysis encompassing the main markets of Finland, Sweden, and Russia. In order to understand and target the topics Fazer's stakeholders consider relevant, the views of hundreds of stakeholders, including Fazer's customers, partners and own employees were gathered. As a result, Fazer broadened the scope of its sustainability core goals under Sustainability Ambitions: Climate and circularity, Sustainable products and innovations, Sustainable sourcing and People and well-being.

The share of sustainable cocoa sourced through Fazer's farmer programmes increased from 31% to 52% in 2021. By the end of December, 78% of Fazer's suppliers, calculated as share of external spend, had signed the Group's updated Supplier Code of Conduct. In connection with launching the updated Supplier Code of Conduct, Fazer introduced risk-based audits and so far, 21 suppliers have been audited against the Supplier Code of Conduct.

GROUP MANAGEMENT AND CHANGES IN GROUP MANAGEMENT

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

At the end of December 2021, the Fazer Leadership Team (FLT) comprised of Christoph Vitzthum (CEO & President, Chairman of FLT, acting MD Fazer Lifestyle Foods), Jenni Gallagher (EVP, People), Jouni Grönroos (CFO & Deputy CEO), Markus Hellström (MD Fazer Confectionery), Sebastian Jägerhorn (EVP Legal & Compliance), Joséphine Mickwitz (EVP Communications & Sustainability) and Lara Saulo (MD Fazer Bakery). In addition to the members of the FLT, the Extended Leadership Team also included Aaron Barsness (VP, Marketing), Marko Bergholm (MD of Fazer Bakery Finland), Bengt Erlandsson (Head of Fazer Group Procurement), Patrik Hellgren (MD of Fazer Bakery Sweden), Vladimir

Kalyavin (MD of Fazer Bakery Russia), Mats Liedholm (MD of Fazer Sweden), Tom Lindblad (MD of Commercial Units at Fazer Confectionery), Anne Mere (MD of Fazer Bakery Baltics) and Johan Rosenblom (MD of Fazer Retail).

BUSINESS AREA DEVELOPMENT IN 2021

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

FAZER BAKERY: SOLID PERFORMANCE IN CHALLENGING ENVIRONMENT

The prolonged COVID-19 pandemic continued to challenge the bakery business throughout the year. Thanks to the agility and professionalism of Fazer's employees, the bakeries' operational continuity was secured, and all bakeries and shop-in-shops remained operational throughout the year. Despite challenges created by increasing raw material and packaging material prices, energy, and transportation costs as well as workforce availability especially in Russia and the Baltics, Fazer Bakery's performance was solid in 2021, with net sales at the previous year's level, EUR 553.9 million (548.0).

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

Fazer Bakery Finland had a successful year with strong performance. As a result of the strong performance of the gluten-free portfolio, and after introducing a dozen new gluten-free products, the business attained market leadership in the gluten-free segments. Demand for white bread, driven by artisanal bread, grew throughout the year, while demand for dark bread declined although remaining a large product category for Fazer Bakery, particularly in Finland and the Baltics. Fazer Bakery Finland invested in a new portion bread line at its Vantaa bakery, which enables the business to focus strongly on producing oat products, a growing category in Finland. 17 new bakeries were opened under Fazer's popular shop-in-shop concept in Finland, bringing their number to a total of 120. These shop-in-shops already employ a total of 700 people in Finland. Retail's interest in the concept remains high and the expansion of the bakery network is expected to continue. The bakery shop-in-shop concept has also been brought to Estonia, where there are currently 10 shop-in-shop bakeries, five of which opened in 2021.

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

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

FAZER CONFECTIONERY: STRONG PERFORMANCE IN VOLATILE MARKET

Fazer Confectionery's year 2021 was strong. Net sales grew 8% to EUR 433.5 million (400.1). Despite strong volatility in market demand throughout the year, the confectionery markets grew, and Fazer was able to strengthen its positions in all markets. In the summer, the confectionery market was negatively affected by the extremely warm weather that shifted consumption to other categories but bounced back strongly in the autumn with all time high sales in the last quarter of the year. All main categories grew with the biggest growth in gifts and seasonal products as well as countlines. The countline Geisha Crunchy was one of Fazer Confectionery's most successful products of 2021. In Sweden, demand shifted from packed confectionery and candy bags to pick & mix.

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

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

FAZER LIFESTYLE FOODS: STABLE NET SALES DEVELOPMENT

Active development of Fazer Lifestyle Foods continued throughout 2021, to bring out the business' full potential in terms of top line growth and efficiency. In 2021, net sales were stable at the previous year's level and totalled EUR 179.5 million (177.3). During the year, several novelties were launched, among them the Dumle Oat Drink, Fazerina Granola, the Swedish keyhole marked Frebaco Granola and the Green Jelly marmalade, and they were well received by the market. Demand was also strong for the Frebaco Oat rice in Sweden.

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

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

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

STRATEGY IMPLEMENTATION IN 2021

Fazer is financially strong and has a clear strategy for the future. Future growth is sought both organically and through M&A opportunities. Fazer has high growth ambitions going forward, which could also open up for a potential broadening of the shareholder base through a public listing at some point in the future.

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

1. building an even stronger position as the number one FMCG brand in Finland
2. accelerating growth through innovations, on-trend categories and foodtech
3. developing leading positions in Northern Europe
4. excelling in ways of working to become the industry leader in profitability
5. developing food as a solution for a more sustainable planet and business
6. evolving the culture and driving critical capabilities to enable continuous success

During 2021, Fazer continued to implement its growth strategy and took several strategic steps:

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

- Expansion of Fazer's shop-in-shop bakery network in Finland and the Baltics. At the end of December Fazer Bakery had 130 shop-in-shops in total.
- Expansion of Fazer's retail network by opening five new Fazer Cafés in Finland and Gateau bakery shops in Finland and Sweden.
- Signing an agreement to acquire Trensums Food AB, a Swedish market-leading producer of plant-based drinks, with a strategic focus on oat drinks.
- Excelling in ways of working to become the industry leader in profitability, through several on-going transformation programmes and efficiency improvement activities.
- Continued focus on Fazer's brand promise Northern Magic. Made Real. and strengthening the Fazer consumer brand.
- Focusing strongly on ESG by, among others, updating broadening its sustainability scope and defining its Sustainability Ambitions, setting Science-Based Targets and defining related emission reduction roadmaps for all Business Areas, redefining the Group's ESG governance structure, renewing specific raw material commitments, and working with suppliers regarding the Group's updated Supplier Code of Conduct.

RISKS AND BUSINESS UNCERTAINTIES

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

Price and availability of raw materials and commodities

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

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

Changes in the competitive landscape

The food industry is highly competitive. Fazer's principal competitors are food and snacking companies operating in multiple geographic areas and numerous local and regional companies. Failure to effectively respond to challenges from competitors could adversely affect Fazer's business. Major competitor consolidation could change the market dynamics and potentially also Fazer's market position. The risk is managed on the Group and Business Area level through continuous monitoring of the competition. Fazer aims to

respond to competition through its superior portfolio of branded products, active management of customer relationships and continuous development of its product portfolio to further differentiate from the competitors and to be competitive. To understand and meet consumer needs and expectations, Fazer invests significantly in active consumer insight work and develop its product portfolio accordingly. In 2021, no major changes in Fazer's competitive environment occurred.

Reputation and brand

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

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

Talent management

The implementation of Fazer's strategy and strategic transformation requires new kinds of skills and 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 where Fazer is less well-known, strong focus is put on employer branding and other means to make the company better known as an employer.

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

Risks related to M&A and transactions

In addition to organic growth, acquisitions are a potential means to achieve Fazer's goals and strategies. Unsuccessful acquisitions or a failure to successfully integrate an acquired company could result in reduced profitability or hamper the implementation of corporate strategy. Fazer regularly evaluates a variety of potential strategic transactions, including acquisitions, joint ventures and other strategic alliances that could support its strategic objectives. Fazer may not successfully identify or mitigate the risks presented by these strategic transactions. Fazer's success partially depends on its ability to identify suitable transactions, negotiate favourable terms, integrate or separate businesses, realise the full extent of the benefits, cost savings or synergies presented by strategic transactions and minimise potential disputes with buyers, sellers and strategic partners. Fazer's M&A activities, or related activities such as reorganisations, restructuring programmes and transformation initiatives, may require Fazer to recognise impairment losses or to take action to reduce costs after the completion of a transaction, which may negatively impact Fazer's financial results.

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

Human rights in the supply chain

To maintain and strengthen customer and consumer trust, it is important to maintain good control of the supply chain. Sourcing certain raw materials, such as cocoa, may include human rights challenges. Fazer engages in systematic internal work to define sustainable sourcing and to develop related procurement processes. Human rights related risks are also mitigated by following UN Guiding Principles on businesses and human rights and processes described in these guiding principles. Fazer has implemented a whistleblowing system that provides an opportunity to report suspicions of misconduct. Mapping of risks at the supplier level is based on a number of different dimensions. Fazer conducts extensive quality, safety, and sustainability work, and quality assurance is conducted at several levels before a supplier is approved. Purchasing is steered toward suppliers with developed sustainability work or a positive willingness to change. Fazer's suppliers are expected to actively improve their human rights, environment and occupational health and safety activities as well as ethical business conduct. In 2020, Fazer updated its Supplier Code of Conduct and processes related to supplier checks were further developed. All Fazer's suppliers, as well as supplier employees and subcontractors, are expected to adhere to the Supplier Code of Conduct. By the end of December 2021, 78% of Fazer's suppliers (calculated as share of external spend) had signed the Group's updated Supplier Code of Conduct.

Geopolitical instability

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

Changes in laws and regulations

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

Customer consolidation and increased retail power

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

developing the service levels and maintaining cost-efficiency in production to remain price competitive.

Climate change

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

Cyber security

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

COVID-19 and other pandemics

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

Hazard risks

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

Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity and refinancing risks, and counterparty risks. The objectives and principles within which the financial risks are managed in Fazer as well as the principles that govern the commodity specific risk management are fined in respective policies approved by the Board of directors. More information on financial risk management can be found in the notes to the financial statements, which will be published in week 11.

2021 ANNUAL AND FINANCIAL REVIEWS

Fazer will publish its 2021 Annual and Financial Reviews, which contain the report by the Board of Directors, Financial Statements, Non-financial Report, Corporate Governance and Remuneration Information during week 11 (beginning 14 March) on the company website at Fazergroup.com.

EVENTS AFTER THE REVIEW PERIOD

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

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

In January 2022, The Swedish Competition Authority approved the acquisition of Trensums Food and actions were initiated to complete the acquisition. The deal is expected to be closed on 28 February 2022.