OY KARL FAZER AB

FINANCIAL STATEMENTS
1.1.-31.12.2024

Business ID: 0202669-3 Domicile: Helsinki

CONTENT

REPORT BY THE BOARD OF DIRECTORS

INTRODUCTION TO FAZER GROUP

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

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

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

BUSINESS MODEL

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

Changes to the business model in 2024

Fazer Bakery consists of three Bakery business units: Bakery Finland with bakeries in Vantaa, Lahti and Lappeenranta, Bakery Sweden with bakeries in Umeå, Eskilstuna and Lidköping, and Bakery Baltics with bakeries in Kaunas in Lithuania and Ogre in Latvia. In the spring, Bakery Baltics announced the consolidation of all Baltic bakeries to one unit in Ogre in Latvia. Through this transformation, Fazer seeks to strengthen its positions in the Baltic markets, ensure competitiveness, widen the product assortment into new categories and to be able to further develop export sales. The transformation is expected to be completed in the beginning of 2025.

The transfer of the oat drink production from Koria, Finland to Tingsryd in Sweden, announced in the end of 2023, was completed. As a further step in the focused transformation programme on-going in Fazer Lifestyle Foods, Fazer announced in the autumn the transfer of its gurt production in Koria, Finland, to Finnish Food Factory through a business transfer agreement. The aim of the transfer is to further develop the capabilities of the gurt production and drive the possibilities for growing exports of the Fazer Aito gurts. The transfer of business and production will take place latest by the end of August 2025.

THE YEAR 2024

RESILIENCE IN AN INCREASINGLY DEMANDING ENVIRONMENT

The year 2024 was characterised by an increasingly demanding operating environment, where consumer cautiousness continued to impact the market, resulting in intensifying competition for the consumers. High input costs and especially accelerating cocoa prices continued to create challenges in the market. The Finnish government's proposal to reclassify chocolates and candy to a higher VAT category further increased uncertainty. This change would steer consumers' purchasing behaviour in a way that distorts competition considerably. Despite these obstacles, Fazer concentrated on growth and profitability and continued to offer products appealing to the consumers, implementing effective marketing strategies, building strong customer relations and maintaining a competitive cost base by continuous efficiency measures. With stable net sales at EUR 1,183.1 million (1,170.1) and improved comparable EBITDA at EUR 141.4 million (137.1), Fazer's performance in 2024 is a clear demonstration of perseverance and resilience.

FAZER GROUP'S NET SALES AND PROFITABILITY

Net sales by business area,	2024	2023	Change
Fazer Confectionery	543.1	505.0	8%
Fazer Bakery	452.4	462.6	-2%
Fazer Lifestyle Foods	218.5	237.0	-8%
Other and eliminations	-30.9	-34.5	10%
Total	**1,183.1**	**1,170.1**	**1%**

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

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

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

CASH FLOW AND FINANCIAL POSITION

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

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

CAPITAL EXPENDITURE

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

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

EMPLOYEES

Personnel by business area, end of year	2024	2023	Change
Fazer Confectionery	1,664	1,641	1%
Fazer Bakery	2,331	2,320	1%
Fazer Lifestyle Foods	444	471	-6%
Other	325	312	4%
Total	**4,764**	**4,743**	**0%**

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

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

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

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

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

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

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

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

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

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

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

BUSINESS AREA PERFORMANCE

Fazer Confectionery

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

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

Fazer Bakery

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

Fazer Bakery's January - December 2024 net sales decreased 2% compared to the previous year and totalled EUR 452.4 million (462.6). Excluding currency effects, net sales decreased by 2%. In Finland, net sales grew, and Shop-in-Shops performed well. Fazer Bakery Finland successfully turned around the demand for dark bread, boosted by the Puikula rye bread recipe renewal. Demand for sweet bakery products was strong thanks to strong consumer interest in Pullava, whereas demand for white bread was subdued. Despite the opening of two new Shop-in-Shops and solid sales of sweet bakery products and dark portion bread, net sales decreased in Fazer Bakery Sweden compared to the previous year. Demand remained subdued in Fazer Bakery Baltics and competition was particularly high in the rye and portion bread segments with a high share of promotional activities. To further support competitiveness and as a response to the constantly challenging markets, Fazer Bakery Baltics announced in late April the consolidation of its bakeries to one unit in Ogre in Latvia.

Fazer Lifestyle Foods

Throughout the year, Fazer Lifestyle Foods' addressable markets were characterised by an inflationary environment and price sensitive consumers who continued to focus on value for money. In all Business-to-Consumer categories focus remained on value for money and campaigns, which led to intense competition in all categories. In the Business-to-Business categories customer demand fluctuated and was characterised by high price sensitivity.

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

STRATEGIC DEVELOPMENT

FAZER GROUP STRATEGY

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

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

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

Fazer's strategic priorities:

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

STRATEGIC ACTIVITIES IN 2024

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

- In April, Fazer Bakery Baltics announced the consolidation of its bakeries to one unit in Ogre in Latvia. Through this transformation, Fazer seeks to strengthen its positions in the Baltic markets, to ensure competitiveness, to widen the product assortment into new categories and to be able to further develop export sales. The transformation is expected to be completed in the beginning of 2025.

- In April, the Finnish government announced its plans to apply a VAT increase on confectionery products. The planned increase impacts Fazer's confectionery business and consequently investment plans in Finland, including the planned investment in a new confectionery factory. The proposal for the new factory was initially scheduled for June 2024. Due to the proposed VAT increase, the investment decision process has been halted in order to analyse a broad scale of alternative solutions for the project.

- In the autumn, the transfer of the oat drink production from Koria in Finland to Tingsryd in Sweden, announced in the end of 2023, was completed. The completion was successful without any disruptions to customer deliveries.

- In October, Fazer opened two new Fazer Cafés in the capital region in Finland, following the opening of a new Fazer Café in Tampere earlier in the spring.

- Fazer established its Shop-in-Shop bakery concept in Sweden in 2023 and opened two new Shop-in-Shops in the Stockholm area during 2024, with several new openings in the pipeline for 2025. In Finland, four new Shop-in-Shops were opened and four closed, totalling 139 at the end of the year. At the end of the year the Group had 154 Shop-in-Shops in Finland, Estonia and Sweden.

- As a further step in the focused transformation programme on-going in Fazer Lifestyle Foods, Fazer announced in November the transfer of its gurt production in Koria, Finland, to Finnish Food Factory through a business transfer agreement. The aim of the transfer is to further develop the capabilities of the gurt production and to drive possibilities for growing the exports of the Fazer Aito gurts. The transfer of business and production will take place by the end of August 2025.

- As part of Fazer Bakery Finland's consumer-centric strategy, Fazer is building a new, energy-efficient production line in the Lahti bakery to grow its baking capacity. With the investment, Fazer will develop its baking capabilities and improve energy efficiency, and significantly reduce the Lahti bakery's CO_2 emissions in accordance with the company's emission reduction targets. The project is progressing well and the first trial runs have been executed. The line is expected to be operational in 2025.

- In December, Fazer announced its decision to centralise warehouse operations for Sweden, Norway, and Denmark into a modern facility in Eskilstuna, Sweden. By consolidating logistics in Scandinavia for the confectionery and Fazer Lifestyle Foods' Fruit and Plant-Based Drinks businesses, Fazer aims to streamline its supply chain, reduce transportation inefficiencies, and optimise inventory management. The transition supports Fazer's sustainability goals by significantly reducing fossil fuel emissions from transportation and by lowering energy consumption through optimised logistics flow, with the new set-up planned to go live in April 2025.

- During the year, Fazer's strong brand and reputation was once again recognised. Fazer was named Finland's second most reputable company in 2024. Finns have named Fazer as one of Finland's most reputable companies for twelve consecutive years according to the Reputation & Trust survey.

- During the year, Fazer continued driving its ambitious innovation agenda with special focus on sustainable solutions, such as the future of chocolate. In the beginning of the year, Fazer introduced a unique chocolate snack bar, Fazer Taste the Future, powered by Solein®, in Singapore. It was the first ever packed consumer product where Solein® was used. Later in the spring, Fazer launched the vegan Fazer Taste the Future Oat Choco toffee hearts that utilise okara, a side stream of oat drink production and surplus from confectionery production.

- During the year, Fazer also took decisive steps to deliver upon its sustainability targets. In early spring, Fazer Bakery Finland and the Nordic energy company Gasum signed a letter of intent in order to draft a plan for the role of renewable gas in reducing emissions created by Fazer's bread transport and production. In late May, Fazer opened a new Fazer Shop in Lappeenranta, Finland, piloting a concept for among others reducing food waste by selling directly to consumers products that would otherwise go to waste. In line with its ambitious emissions reduction targets, Fazer announced in late October that it will electrify steam production at the Lappeenranta confectionery factory. With electrification, the factory's CO_2 emissions will be reduced by approximately 90% annually, and the emissions of Fazer Group by over 10 %. The electrification work will begin in the first half of 2025.

NON-FINANCIAL INFORMATION

Fazer's reporting of non-financial information describes the company's approach to the management of environmental, social and employee matters, as well as matters related to respect for human rights, anti-corruption and bribery. This voluntary disclosure has been compiled for the purposes of transparency based on the requirements of the Finnish Accounting Act regarding Non-Financial Information. More detailed information about Fazer's sustainability work and key performance indicators is provided in Fazer's Annual Review.

SUSTAINABILITY – INTEGRAL PART OF FAZER'S BUSINESS

Fazer develops food as a solution for a more sustainable business. Sustainability is at the very heart of Fazer's business – it's integrated in the company's strategy and influences everything from management, operations and supply chain, new product innovations and R&D, as well as marketing and branding. To advance sustainable practices, Fazer also cooperates and engages with a variety of stakeholders from educational and research institutions to farmers and NGOs.

SUSTAINABILITY GOVERNANCE AND MANAGEMENT

Fazer's sustainability governance practices are based on the ten international principles of the UN Global Compact. The company follows the UN Guiding Principles on Business and Human Rights and is committed to supporting the implementation of the United Nations' Sustainable Development Goals (SDGs). Fazer's operations and sustainability work are governed by the company's values, the Group's Code of Conduct, Sustainability Policy, Human Rights Policy and Quality, Environment, Occupational Health and Safety (QEHS) Policy. In its sourcing, Fazer applies its Supplier Code of Conduct (SCoC) and expects compliance from its raw material and service providers.

The highest authority in sustainability matters at Fazer lies with its Board of Directors (Board) and the Fazer Leadership Team. The Board reviews and approves the company's strategy and sustainability ambitions, the Group-level risk assessment, which includes the identified sustainability and climate risks, as well as Fazer's material sustainability topics and reporting. The Board receives regular updates on sustainability matters related to Fazer's business and its progress towards its sustainability targets, as well as the regulatory landscape and trends. Even though sustainability matters are integrated to various other topics as part of the Board's regular meeting agenda, they are also discussed at least biannually as a separate item. The Chairman of the Board is 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.

To ensure that the Group's sustainability targets, and key priorities are met, the highest authority in operative decision making in sustainability lies with the Fazer Leadership Team. As a subset to the Leadership Team, the ESG Steering Group, chaired by the CEO, with Business Area heads, Bakery Business Unit heads and Group EVP, Communications and Sustainability as members, discusses strategic sustainability topics, as well as sustainability related risks and opportunities, due-diligence and mitigation plans and prepares them for decision-making in Fazer Leadership Team. The tactical 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. Environmental development and KPIs are reviewed quarterly with the Business Area responsible, the sustainability team members and the EVP, Communications and Sustainability.

Safety and Food loss development is monitored monthly at Business Unit level. 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. In 2024, Fazer revalidated the double materiality assessment initially conducted in 2023. The materiality assessment not only supports Fazer in determining the scope of the company's future sustainability reporting in compliance with the Corporate Sustainability Reporting Directive (CSRD), but also provides indispensable insights for shaping sustainability ambitions and company strategy.

The assessment allowed Fazer to prioritise key impacts, risks, and opportunities effectively. The results of the assessment can be found in the sustainability section of the Annual Review. 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. 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.

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 a business opportunity, which is also visible in the Group's strategy. By closely monitoring and anticipating the developments in consumer needs, the company develops its business to better respond to consumer demand for more sustainable and plant-based products.

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

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

On a strategic level, Fazer sees chronic physical climate-related risks as potentially affecting its future raw material supply more permanently, especially concerning raw materials available only in specific geographical areas. Rising mean temperatures and the resulting weather conditions, such as droughts and volatility in weather patterns, as well as various harvest threatening diseases, pose a severe risk to the farming conditions of Fazer's raw materials in certain areas, particularly the tropics. These risks are mitigated with a portfolio of actions ranging from responsible farming and sourcing programmes to diversification of sourcing areas and 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 Science Based Targets Initiative (SBTi) and aligned with the Paris Agreement goal of limiting global warming to 1.5 C. Fazer aims to reduce its absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 base year and in the same timeframe, also reduce its absolute Scope 3 GHG emissions by 42%. Fazer has also committed to engaging 53% of its suppliers by spend, covering the purchased raw materials, logistics and upstream transportation and distribution, to commit to setting their own science-based targets by 2025.

Despite the challenging operating environment in 2024, Fazer continued its emissions reduction initiatives with clear roadmaps and well-planned activities. Fazer's total emissions (Scope 1, 2 & 3) amounted to 693,223 tCO2e (653,000 tCO2e), increasing 6.2% compared to the previous year and no significant change compared to the baseline year 2020. The majority of Fazer's emissions originate from the value chain (Scope 3), accounting for approximately 95% of Fazer's total emissions.

In 2024, Fazer made good progress towards its Science-Based Target for its own operations (Scope 1 and 2). These emissions decreased by 11% compared to 2023 and 34% compared to the baseline year 2020. The decrease is mainly attributable to transferring to green district heating in all major industrial sites in Finland, a new efficient portion bread line in Vantaa Bakery as well as the higher share of bio-based steam in Lahti, Finland. Fazer's value chain emissions (Scope 3) increased 7.1% from the previous year and 1.6% from the baseline year 2020, mainly due to the changed emission factors for some main raw materials such as grains.

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 2024, Fazer achieved an 8% reduction in avoidable food loss compared to previous year and a 13% decrease compared to base year 2020.

SUSTAINABLE PRODUCTS, INNOVATIONS, AND FOOD SAFETY

In 2024, Fazer revised the focus areas and contents of the Group's ambition for Sustainable Products and Innovations. The updated ambition emphasises reducing emissions across the Groups' product portfolio, supporting the efforts to improve emission reductions on the product level.

Fazer is also expanding its range of plant-based foods, prioritising raw materials with low carbon footprints. The Group's approach to health and nutrition empowers individuals to make dietary choices that enhance their well-being. Fazer commits to reduce, recycle, and innovate sustainable packaging, continuously improving the offering for people and the environment. As an industry leader, Fazer is committed to partnering with customers and consumers in the pursuit of innovative solutions to combat climate change. Throughout the year, Fazer advanced the process of enhancing its sustainable product portfolio. This involved investing in research and development (R&D), developing new products, conducting tests, introducing them to the market, and ultimately promoting them to gain consumer attention and preference. Fazer Lab established the Fazer Upcycled programme in March 2023, and the initiative has since received funding from Business Finland. The research and development programme seeks to accelerate innovation by finding new ways to upcycle side streams and surplus materials from production. In addition to proactively advancing sustainable ingredients from upcycled side streams for the food industry, the three-year programme aims to pilot and develop entirely new prototypes for future sustainable consumer products. In 2024, the Fazer Upcycled programme was particularly focused on grain side streams, such as the utilisation of wheat bran. It also placed an emphasis on side streams from confectionery production.

Fazer's research and development focuses on innovations on R&D, nutrition and plant-based food. For example, Fazer has participated in the CERAFIM project 2022-2025, investigating cell cultured cocoa and alternative cocoa raw materials. In this project Fazer has received funding from Business Finland. As part of a larger consortium with partners and collaborators from Finland and the US, Fazer participated in National Science Foundation's (NSF) project relating to Future Food Bioeconomy, with focus on designing new hybrid food ingredients and products combining plant and cellular agriculture ingredients. Within the larger framework, Fazer's own research focuses on pioneering ingredients and products: cocoa alternatives, healthier and more sustainable solutions as sugar replacement and the potential of fermentation-based technologies. The project has received funding from Business Finland.

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 2024, there were 6 product recalls regarding food safety. The product recalls were made due to safety precautions related to safe consumption of products, allergen labelling or possible presence of contaminants.

SUSTAINABLE SOURCING

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

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 cocoa included in Fazer's farmer programmes and has been developed together with the independent auditor SCS Global Services.

Under Fazer's Cocoa Vision programme, the 2023-2024 period marked the third year of Fazer's verification round. SCS Global visited suppliers in all three countries included in the programme, including a sample of cooperatives or buying agents, and a selection of farms in the Ivory Coast. In 2024, good verification results were received in Ecuador and Nigeria, whereas there were some critical findings in Ivory Coast relating to issues such as lack of contracts, children not attending school, minimum wages, and inaccurate registries of producer groups. For these non-compliances, the supplier was required to create a corrective action plan, which has been followed up in regular meetings. As a result of corrective actions, an attestation letter has been received from SCS Global confirming compliance with the Cocoa Standard. The new verification round begun in December 2024 and will continue in 2025.

Fazer sources 100% of cocoa products under specific sustainability criteria, of which 47% (60%) was sourced through either own farmer programmes or through Cocoa Horizons sustainability programme in 2024. The remaining share of 53% (40%) is certified by the Rainforest Alliance or the Fairtrade cocoa programme The input from farmer programmes declined due to poor harvest season.

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 2024, as the programme neared its conclusion, a comprehensive audit revealed significant progress. The study, conducted by ProAgria Southern Finland in Finland and HS Certifiering in Sweden, covering a share of farmers, showed that 86% adhere to the Grain Vision principles. Farmers have widely adopted essential practices, such as annual cultivation planning. The results underscore how most of the sustainable farming practices have become standard among farmers, contributing to reduced carbon emissions and improved biodiversity. Fazer is currently in the process of developing its next generation Grain vision programme to further advance collaboration with farmers on climate and biodiversity related issues.

In 2024, Fazer continued to advance its raw material commitments and updated its soy and coconut oil commitments. Fazer has actively sought alternatives to palm oil as an ingredient in its offering. Fazer has reduced the use of palm oil in its products by 67% since 2019. Out of the palm oil content in Fazer's products, in 2024, almost 100% was segregated palm oil (98%) with only small traces of mass balance, totalling less than 0.5%. Segregated traceability ensures the physical compliance with the Roundtable for Sustainable Palm Oil (RSPO) standard.

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, 89% (87%) had signed the SCoC by the end of 2024. Fazer successfully engaged 53% of its suppliers by spend to commit to the SBTi, in line with its targets for Scope 3 emissions. During the year, Fazer continued the project to calculate its forest, land, and agriculture-related (FLAG) emissions, mandated by SBTi for food companies, to set new targets.

PERSONNEL, EMPLOYMENT, AND SOCIAL MATTERS

A fourth important sustainability ambition for Fazer is People & Well-being. Fazer aims to be a force for good in people's lives, striving to create a safe and inspiring working environment where all its employees can learn and thrive. The company's people agenda encompasses the themes of health and safety, engagement and well-being, as well as diversity and inclusion. Fazer's workforce comprised at the end of 2024 of 4,764 (4,743) 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 2024, Fazer's LTAF (Lost Time Accident Frequency) was at 4.0. (5.1), improving 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 13,988 safety observations were made, which is 29% more than previous year. There were no fatalities in 2024.

RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND PREVENTING BRIBERY

Respect for human rights

Respecting individuals' human rights and preventing any violations is of utmost importance to Fazer. In 2022, Fazer conducted human rights risk and impact assessments to identify and understand the potential adverse impacts throughout Fazer's value chain. The assessment confirmed that global raw material supply chains, including Fazer's own, involve high risks relating to child labour, modern slavery, occupational safety and health, and living wages. Fazer has used the findings to guide its actions to expand supply chain programmes and strengthen its work to prevent human rights violations. The findings also equip the company to better track its performance in preventing and mitigating effects in the future. Fazer is committed to continuous improvement and is a member of the Nordic Business Network for Human Rights and the UN Global Compact European Peer Learning Group on Business and Human Rights. In 2024, Fazer focused on preparing for the upcoming Corporate Sustainability Due Diligence (CSDDD) directive by identifying future requirements and mapping potential gaps to make action plans for the following years. Cocoa is Fazer's key raw material, and the company does its best to ensure the availability and responsible production as well as the livelihood of the cocoa farmers. All Fazer's cocoa originates from sustainably managed sources that are third-party verified.

Fazer defines a sustainably managed cocoa source as a cocoa supply chain that is part of a programme that sets specific environmental and social criteria for cocoa production and is verified by an independent third party. Environmental and social criteria are designed to prioritize the well-being of people and the planet, for example, by requiring good agricultural practices, paying better price for cocoa compared to conventional cocoa and investing in the long-term health of the cocoa trees and the communities where they are grown. Fazer Cocoa Standard describes Fazer's concrete requirements for sustainably managed cocoa.

Fazer Cocoa Standard criterion has been created together with an independent auditor SCS Global Services and benchmarked with recognized standards such as Rainforest Alliance and Cocoa Horizons and aligned with industry best practices. Also, customer demands, risk assessment and research papers have been input factors for the standard. Criterion are evaluated on regular bases at least every three years to ensure that Cocoa Vision is at par with development in cocoa industry.

The Fazer Cocoa standard consists of 28 requirements or criteria which are organized under five chapters: Governance, Social, Environmental, Quality and Traceability. For every criterion there are one or more indicators to describe more precisely the requirement for compliance to standard. 18 of the indicators are critical and finding against these requires immediate corrective action from supplier. Additionally, suppliers that score lower than 80% in the audit will submit corrective action with timelines to Fazer. Fazer has the right to discontinue collaboration with

suppliers that do not meet Fazer requirements and Fazer does not collaborate with suppliers that are not committed to these principles. More information can be found on Fazer's webpages.
To proactively prevent child labour, Fazer's farmer programmes have Child Labour Monitoring and Remediation Systems (CLMRS) in place. The relevant suppliers implement the systems and provide Fazer with regular reports, allowing the company to closely keep track of incidents or risks related to child labour.

Anti-corruption and preventing bribery
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 2024, the status of the Code of Conduct eLearning among Fazer's white-collar employees was at 96%. Out of its blue-collar employees, 86% had viewed the Code of Conduct Video. Overall, 89% 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 2024, eleven cases were reported through the whistleblowing channel. However, only one case qualified as potential whistleblowing report alleging serious breaches of laws or regulations representing a public interest. The reports not qualifying as actual whistleblowing cases have been internally referred to other channels for handling, mainly Human Resources. The whistleblowing report was investigated and closed as an unvalidated allegation concerning a counter party being on a sanction list. The Board of Directors receives annually a report of the whistleblowing cases.

RESEARCH AND DEVELOPMENT, INNOVATIONS AND SUSTAINABLE PRODUCTS

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

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

As part of a larger consortium with partners and collaborators from Finland and the US, Fazer participated in the National Science Foundation's (NSF) project on *Future Food Bioeconomy*, with focus on designing new hybrid food ingredients and products combining plant and cellular agriculture ingredients. Within the larger framework, Fazer's own research focuses on pioneering ingredients and products: cocoa alternatives, healthier and more sustainable solutions as sugar replacement and the potential of fermentation-based technologies. The project has received funding from Business Finland.

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

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

RISKS AND UNCERTAINTIES

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

PRICE AND AVAILABILITY OF RAW MATERIALS AND COMMODITIES

Fazer's Group strategy is built on profitable growth. Fazer purchases large quantities of raw materials, and the availability and fair pricing of certain key raw materials is crucial to Fazer's business success. Geopolitical uncertainty and other supply chain disruptions can lead to sudden and significant availability issues and to increases in the cost of raw and packaging materials, commodities, or logistics. This could impact Fazer's profitability if Fazer is not able to pass on such increases to product prices without delay.

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

REPUTATION AND BRAND

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

Furthermore, Fazer's ability to maintain and improve its brand image depends on its ability to anticipate change and to adapt to a rapidly changing marketing and media environment, including increasing reliance on established and emerging social media and online platforms. In 2024, Fazer's reputation remained strong, and it was elected the second most reputed company brand in Finland.

ENERGY

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

In 2024, the energy markets stabilised. However, the markets remained sensitive as new and on-going geopolitical conflicts continued to overshadow the energy markets. During the year, Fazer continued to implement its energy strategy and made several investment decisions with the purpose to broaden the use of energy sources, increase energy efficiency and reduce emissions.

WORKFORCE AND TALENT MANAGEMENT

The implementation of Fazer's strategy and strategic transformation requires new kinds of skills and competences. To secure competitiveness and profitable growth, as well as to improve operational efficiency, it is essential to attract and retain personnel with the right skills and competences. Fazer has done well in employer surveys in Finland and has succeeded in attracting talented people. In other countries, where Fazer is less well-known, strong focus is put on employer branding and other means to make the company better known as an employer.

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

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

CONSUMER DEMAND, PRODUCTS, AND INNOVATIONS

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

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

SUSTAINABILITY

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

CHANGES IN REGULATION AND TAXATION

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

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

If chocolate and confectionery products are transferred to the higher VAT class, it could negatively impact Fazer's future expansion plans, and its chocolate factory investment in particular. Consequently, the investment decision process has been halted in order to analyse a broad scale of alternative solutions for the project. If approved, the VAT increase would be applied from summer 2025.

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

CHANGES IN THE COMPETITIVE LANDSCAPE

The food industry is highly competitive. Fazer's principal competitors are food and snacking companies operating in multiple geographic areas, and numerous local and regional companies. Failure to effectively respond to challenges from competitors could adversely affect Fazer's business. Major competitor consolidation could change the market dynamics and potentially also Fazer's market position. The risk is managed on the Group and Business Area level through continuous monitoring of the competition. Fazer aims to respond to competition through its superior portfolio of branded products, constantly improving its operational efficiency, active management of customer relationships and through the continuous development of its product portfolio to further differentiate from the competitors and to be competitive. To understand and meet consumer needs and expectations, Fazer invests significantly in active consumer insight work and develops its product portfolio accordingly.

CHOCOLATE FACTORY INVESTMENT

Fazer's strategic objective is to strengthen its position as Finland's leading fast-moving consumer goods company. Growth will be accelerated by means of consumer-oriented innovations, on-trend categories and R&D. As part of the strategy implementation, Fazer plans to invest in a new world-class chocolate factory, which would meet future consumer expectations, improve efficiency, enhance working conditions, and improve energy efficiency. If the plan is realised, the new factory would replace the existing chocolate factory in Vantaa. A significant postponement of the investment decision, and consequent construction, could have a negative impact on Fazer's competitiveness in the future.

CYBER RISKS

The current geopolitical environment and the dependency of operations on ICT infrastructure significantly increase ICT and cyber-related risks. ICT related challenges could quickly lead to production or delivery disruptions, inefficiencies, loss of sensitive information or data breaches, which again would harm Fazer's operations, reputation and customer relations. Fazer recognises that changes and new requirements from various EU-based directives, such as the NIS2 Directive, are continuously evolving. These directives impose new obligations on companies, necessitating ongoing adjustments to cybersecurity strategies and practices.

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

HAZARD RISKS

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

FINANCIAL RISK MANAGEMENT

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

SHORT-TERM RISKS AND UNCERTAINTIES

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

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

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

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

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

GOVERNANCE

DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING

Oy Karl Fazer Ab's Annual General Meeting was held on 21 March 2024 in Vantaa, Finland. The Annual General Meeting approved a distribution of dividend of EUR 3.00 per share.

The number of members of the Board was confirmed at nine. The current Board members Casper von Koskull (Chair), Harry Brouwer, Elisabeth Dreijer von Sydow, Ketil Eriksen, Jan Fazer, Johan Linder, Juhani Mäkinen and

Laura Tarkka were re-elected to the Board of Directors and Katharina Stenholm was elected as a new member of the Board of Directors.

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

FAZER LEADERSHIP TEAM

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

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

SHARES AND SHARE CAPITAL

At the end of 2024, Oy Karl Fazer Ab's share capital totalled EUR 136,790,500 and the number of preference shares was 4,474,325 (4,474,325) and ordinary shares was 2,365,200 (2,365,200).

The preference shares carry a preferential right of at least 6%, of the nominal value of the share, ahead of ordinary shares for the annual dividend from the company's distributable profits. At the Annual General Meeting, each ordinary share is entitled to ten votes and each preference share entitles to one vote.

PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable equity on 31 December 2024 was 949,084,654.93 euro of which 47,640,239.20 euro represent profit for the financial year. The Board of Directors proposes to the Annual General Meeting that the distributable equity should be appropriated as follows:

a dividend of 4.00 euro per share be paid	27 358 100,00	euro
to be retained in non-restricted equity	921 726 554,93	euro
	949,084,654.93	**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.

EVENTS AFTER THE REPORTING PERIOD

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

OUTLOOK 2025

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

GROUP KEY FIGURES

	2024	2023	2022	2021	2020
Income statement and profitability					
Net sales, MEUR *	1,183.1	1,170.1	1,122.2	991.9	1,101.2
Comparable EBITDA, MEUR *	141.4	137.1	101.4	112.4	122.5
Comparable EBITDA, % *	12.0 %	11.7 %	9.0 %	11.3 %	11.1 %
EBITDA, MEUR *	133.1	123.6	109.5	97.1	118.1
EBITDA, % *	11.2 %	10.6 %	9.8 %	9.8 %	10.7 %
Comparable operating result, MEUR *	75.9	66.8	34.4	53.0	58.2
Comparable operating result, % *	6.4 %	5.7 %	3.1 %	5.3 %	5.3 %
Operating result, MEUR *	46.0	-81.6	42.6	36.0	52.6
Operating result, % *	3.9 %	-7.0 %	3.8 %	3.6 %	4.7 %
Result for the period, MEUR	34.7	-86.5	16.2	32.0	440.4
Continuing operations, MEUR	34.7	-86.5	34.2	24.5	32.6
Discontinued operations, MEUR	-	-	-18.0	7.6	407.8
Result for the period attributable					
To owners of the parent, MEUR	34.7	-87.2	21.3	29.9	366.7
To non-controlling interests, MEUR	-	0.7	-5.1	2.1	73.7
Return on equity % *	5.1 %	-11.8 %	1.9 %	3.5 %	58.8 %
Comparable ROCE %	9.7 %	7.8 %	3.5 %	5.1 %	6.5 %
Return on capital employed % *	5.9 %	-9.5 %	4.0 %	3.0 %	5.8 %

	2024	2023	2022	2021	2020
Financial position					
Capital employed, MEUR	734.1	731.7	892.5	713.4	699.7
Working capital, MEUR	50.7	13.8	43.4	4.4	38.3
Total equity, MEUR	690.9	674.8	790.7	873.2	934.6
Total balance sheet, MEUR	1,065.6	1,045.1	1,209.9	1,278.2	1,322.8
Net debt, MEUR	22.4	41.9	78.3	-95.2	-213.3
Gearing	3.2 %	6.2 %	9.9 %	-10.9 %	-22.8 %
Equity ratio	64.9 %	64.6 %	65.4 %	68.3 %	70.7 %
Net debt / EBITDA	0.2	0.5	-0.1	-1.6	-0.4

	2024	2023	2022	2021	2020
Other key figures					
Capital expenditure, MEUR	54.9	45.8	59.9	82.1	92.8
Cash flows from operating activities, MEUR	110.0	142.8	72.7	77.5	152.4
Dividend / share, EUR **	4.00	3.00	3.00	13.60	14.40
Comparable EPS, EUR	8.59	7.27	2.21	6.46	56.91
Earnings per share, total, EUR	5.07	-12.94	3.17	4.46	56.25
Continuing operations, EUR	5.07	-12.94	5.02	3.60	4.82
Discontinued operations, EUR	-	-	-1.85	0.86	51.43
Personnel, average FTE *	4,885	4,870	4,990	4,891	7,316
Personnel, FTE end of December *	4,764	4,743	4,875	4,711	7,135

*) Numbers for years 2022-2020 are presenting continuing operations. The Fazer Food Services business sold in 2020 is not included in continuing operations for 2020. The Russian operations sold in 2022 are not included in continuing operations for 2022 - 2021.

**) 2024 proposal by the Board of Directors to the annual general meeting.

CALCULATION OF KEY FIGURES

Operating result	=	Net sales + other operating income - expenses - depreciations, amortisations and impairments +/- share of result in associated companies and joint ventures
EBITDA	=	Operating result + depreciations, amortisations and impairments
Items affecting comparability (IAC)	=	Income and expenses affecting comparability between periods due to their unusual nature, size and / or incidence. IAC consists of e.g. results from restructuring activities or legal proceedings, capital gains and losses on disposals, impairment charges, changes in fair values of open electricity derivatives, acquisition costs and certain business exit related costs.
Return on equity (%)	=	$\frac{\text{Result for the period}}{\text{Equity (on average)}}$
Return on capital employed (%)	=	$\frac{\text{Operating result}}{\text{Capital employed (on average)}}$
Capital employed	=	Working capital + intangible assets + property, plant and equipment + right of use assets + strategic investments
Working capital	=	Inventories + trade and other receivables - trade and other payables - provisions +/- assets and obligations in relation to pension schemes
Net debt	=	Interest-bearing debt - cash and cash equivalents
Gearing (%)	=	$\frac{\text{Net debt}}{\text{Equity}}$
Equity ratio (%)	=	$\frac{\text{Equity}}{\text{Equity + liabilities - advances received}}$
Net debt to EBITDA	=	$\frac{\text{Net debt (on average)}}{\text{EBITDA}}$
Earnings per share	=	$\frac{\text{Result for the period attributable to owners of the parent}}{\text{Weighted average number of shares outstanding}}$
Capital expenditure	=	Investments in intangible and tangible assets

CONSOLIDATED STATEMENT OF INCOME

MEUR	Note	2024	2023
Net sales	4	**1,183.1**	**1,170.1**
Other operating income	5.1	9.2	10.5
Materials and services	5.2	-480.9	-465.9
Employee benefits expenses	5.3	-299.2	-298.5
Depreciation, amortization and impairment	9, 10, 11	-87.0	-205.2
Other operating expenses	5.4	-279.3	-292.7
Operating result		**46.0**	**-81.6**
Financial income	6	4.4	5.0
Financial expenses	6	-5.0	-9.4
Result before income tax		**45.4**	**-86.0**
Income tax	7.1	-10.7	-0.6
Result for the period		**34.7**	**-86.5**
Owners of the parent company		34.7	-87.2
Non-controlling interests	18	-	0.7
Earnings per share for result attributable to owners of the parent			
Basic and diluted, Group total, euro	8	5.07	-12.94

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	Note	2024	2023
Result for the year		**34.7**	**-86.5**
Other comprehensive income			
Items that may be classified to profit or loss			
Cash flow hedges	17.1	28.5	3.6
Translation differences		-8.3	0.5
Income tax relating to these items		-5.7	-0.7
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	20	-0.4	-0.1
Fair value adjustment of strategic holdings	13.2, 17.1	-12.2	17.9
Income tax relating to these items		0.1	0.0
Other comprehensive income, net of tax		**2.0**	**21.1**
Total comprehensive result for the period		**36.6**	**-65.4**
Attributable to			
Owners of the parent company		36.6	-66.1
Non-controlling interests		-	0.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	Note	31 Dec 2024	31 Dec 2023
ASSETS			
Non-current assets			
Goodwill	9	209.2	212.5
Intangible assets	10	58.0	66.6
Property, plant and equipment	11	401.6	412.3
Non-current financial assets	13.2	17.6	29.7
Non-current receivables	13.2	0.2	1.7
Deferred tax assets	7.3	0.6	0.5
Total non-current assets		**687.3**	**723.2**
Current assets			
Inventories	14	101.9	109.1
Trade and other receivables	13.2, 15	195.3	146.0
Income tax receivables		2.3	3.3
Cash and cash equivalents	16	78.9	61.6
Total current assets		**378.4**	**320.0**
Assets held for sale	24	-	1.9
TOTAL ASSETS		**1,065.6**	**1,045.1**

MEUR	Note	31 Dec 2024	31 Dec 2023
EQUITY AND LIABILITIES			
Equity			
Share capital	17.1	136.8	136.8
Other reserves	17.1	32.5	22.0
Translation differences		-36.4	-28.1
Reserve for invested unrestricted equity		140.8	140.8
Retained earnings		417.1	403.3
Total equity		**690.9**	**674.8**
Non-current liabilities			
Interest-bearing liabilities	13	68.2	69.3
Deferred tax liabilities	7.3	24.6	21.6
Pension obligations	20	2.2	2.1
Provisions	19	2.6	1.8
Other non-current liabilities		1.3	1.9
Total non-current liabilities		**98.9**	**96.7**
Current liabilities			
Interest-bearing liabilities	13	33.1	34.3
Trade and other payables	13.2, 21	237.3	235.2
Income tax liabilities		2.6	2.9
Provisions	19	2.8	0.9
Total current liabilities		**275.9**	**273.3**
Total liabilities		**374.8**	**370.0**
Liabilities related to assets held for sale	24	-	0.3
TOTAL EQUITY AND LIABILITIES		**1,065.6**	**1,045.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent company							
MEUR	**Note**	**Share capital**	**Other reserves**	**Reserve for invested unrestricted equity**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance 1 January 2023		**134.1**	**1.2**	**108.2**	**-28.6**	**510.2**	**725.2**	**65.5**	**790.7**
Result for the period						-87.2	-87.2	0.7	-86.5
Other comprehensive income									
Change in hedge reserve, net of taxes	17.1		2.9				2.9		2.9
Change in fair value reserve, net of taxes	17.1		17.9				17.9		17.9
Actuarial gains and losses on defined benefit plan, net of taxes	20					-0.1	-0.1		-0.1
Translation differences					0.5		0.5	-0.1	0.5
Comprehensive result for the period		**-**	**20.7**	**-**	**0.5**	**-87.3**	**-66.1**	**0.6**	**-65.4**
Transactions with owners in their capacity as owners									
Share issue and related expenses, net of taxes		2.7		32.6			35.2		35.2
Acquisition of share of non-controlling interest	18					0.5	0.5	-66.1	-65.6
Dividends provided for or paid	17.1					-20.1	-20.1		-20.1
Balance 31 December 2023		**136.8**	**22.0**	**140.8**	**-28.1**	**403.3**	**674.8**	**-**	**674.8**
Result for the period						34.7	34.7	-	34.7
Other comprehensive income									
Change in hedge reserve, net of taxes	17.1		22.8				22.8		22.8
Change in fair value reserve, net of taxes	17.1		-12.2				-12.2		-12.2
Actuarial gains and losses on defined benefit plan, net of taxes	20					-0.3	-0.3		-0.3
Translation differences					-8.3		-8.3		-8.3
Comprehensive result for the period		**-**	**10.5**	**-**	**-8.3**	**34.4**	**36.6**	**-**	**36.6**
Transactions with owners in their capacity as owners									
Dividends provided for or paid	17.1					-20.5	-20.5		-20.5
Balance 31 December 2024		**136.8**	**32.5**	**140.8**	**-36.4**	**417.1**	**690.9**	**-**	**690.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	Note	2024	2023
Cash flows from operating activities			
Result for the period		34.7	-86.5
Adjustments			
Depreciations, amortisations and impairments	10, 11	87.0	205.2
Income taxes		10.7	0.6
Financial income and expenses	6	0.6	4.3
Non-cash income and expenses		3.5	0.1
Other non-operating adjustments		-0.5	-1.6
Total adjustments		101.4	208.6
Working capital			
Decrease (+) / increase (-) in inventories		6.5	10.0
Decrease (+) / increase (-) in trade and other receivables		-4.0	8.0
Decrease (-) / increase (+) in trade and other payables		-12.4	2.3
Change in working capital		-9.9	20.3
Interest received		2.8	2.4
Interest paid		-4.2	-4.0
Other financial income and expenses, net		-2.0	-0.1
Income taxes paid		-12.9	2.1
Net cash from operating activities		**110.0**	**142.8**

MEUR	Note	2024	2023
Cash flows from investing activities			
Purchases of tangible and intangible assets	10,11	-54.9	-45.8
Proceeds from sale of tangible and intangible assets		2.2	4.4
Investments in non-current financial assets		-0.1	-0.2
Net cash from investing activities		**-52.9**	**-41.6**
Cash flows from financing activities			
Change in non-current debt	13.1	-5.7	-10.0
Change in current debt	13.1	0.0	-32.9
Repayment of leasing debt	13.1	-13.7	-13.2
Acquisition of interests from non-controlling interests *	18	-	-30.4
Dividends paid	17.1	-20.5	-20.1
Net cash from financing activities		**-39.9**	**-106.7**
Net increase (+) decrease (-) in cash and cash equivalents		**17.1**	**-5.5**
Cash and cash equivalents 1 January	16	61.7	67.2
Exchange rate difference		0.0	0.1
Cash and cash equivalents 31 December	**16**	**78.9**	**61.7**

* In the 2023 statement of cash flows the acquisition of interest from non-controlling interest has been reclassified from investing activities to financing activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Fazer Group is an international family-owned company. The operations of the Group are organised into the following business areas: Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods. Fazer operates in eight countries and exports to around 40 countries.

The Board of Directors of Oy Karl Fazer Ab approved these financial statements for issue on February 14, 2025. According to the Finnish Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Accounting Standards (IFRS Accounting Standards), including IAS and IFRS Accounting Standards as well as the SIC and IFRIC interpretations in effect on December 31, 2024. The term 'IFRS Accounting Standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002), and thus are in force in the Finnish legislation.

The consolidated financial statements have been prepared on a historical cost basis. Exceptions are the financial assets and liabilities measured at fair value through the statement of income, the financial assets and liabilities measured at fair value through other comprehensive income and assets held for sale which are measured at the lower of the carrying amount and the fair value less costs to sell. The measurement of defined benefit obligations and fair value of plan assets is described in more detail later in the section covering employee benefits accounting policies.

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 23 Related party transactions which is in thousand euro. All are thus subject to rounding, which may cause some rounding inaccuracies in aggregate column and row totals. Key figures have been calculated using exact numbers.

2.2 Basis of consolidation

SUBSIDIARIES

The consolidated financial statements comprise the parent company Oy Karl Fazer Ab and its subsidiaries, in which the Group has control. The Group controls an entity when it is exposed or entitled to variable returns from its involvement with the entity and is able to affect such returns through the exercise of its powers over the entity. If the Group does not hold the majority of voting rights in the entity, all the circumstances through which such control may be gained in the absence of the majority of votes are assessed. Such circumstances include contract-based arrangements between other holders of voting rights, any rights arising from other contract-based arrangements, as well as the voting rights and potential voting rights held by the Group.

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

Acquired subsidiaries are accounted by using the acquisition method. Accordingly, the consideration transferred, and the identifiable assets and liabilities assumed in the acquired company are measured at fair value at the date of the acquisition. For the amount by which the purchase price, possible part belonging to the non-controlling interests and possible earlier acquired share all together exceeds the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill. If this is less than the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value and, in case of a bargain purchase, the difference is recognised directly in the consolidated income statement. Transaction costs are expensed in the same financial period in which they occur. Any contingent consideration (additional purchase price) related to the acquisition is measured at fair value on the date of acquisition and classified either as a liability or equity. Contingent consideration classified as a liability is measured at fair value on the last day of the reporting period, and the resulting loss or gain is recognised through the consolidated income statement. Contingent consideration classified as equity is not remeasured.

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.

ASSOCIATES

Associates are companies in which the Group has significant influence but not control or joint control. The Group's interests in associates are accounted for using the equity method.

Under the equity method, the investment is initially recognised at cost, which includes transaction costs including goodwill identified on acquisition. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date as well as any impairment of possible goodwill. The statement of income reflects the Group's share of results of the associate and changes in other comprehensive income in the associate is presented as part of the Group's other comprehensive income.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. When necessary, the associates accounting policies are adjusted to correspond with the accounting policies used in the Group prior to applying the equity method. 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.

FOREIGN CURRENCY TRANSLATIONS

Items included in the financial statements of each of group company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The statements of income of foreign group companies are translated into euros (the parent company's functional currency) using the average exchange rates for the reporting period. The statements of financial position are translated using the exchange rates at the end of the reporting period. The translation of the reporting period's net income by using different exchange rates in the consolidated statement of income and in the consolidated statement of financial position causes a translation difference, which is recognised in equity and in consolidated statement of comprehensive income. Translation differences arising from the elimination of the acquisition cost of subsidiaries and the translation of the equity items accumulated after the acquisition are recognised in the consolidated statement of comprehensive income.

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. Exchange rate differences arising are recognised in the consolidated income of comprehensive income.

When a subsidiary is disposed of or sold, any accumulated translation difference that were recorded in equity are recognised in statement of income as part of the gain or loss of the sale.

FOREIGN CURRENCY TRANSACTIONS

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 into the respective functional currencies using exchange rates at the end of the reporting period. Foreign exchange rate gains and losses arising from receivables and payables relating to operating activities are recognised in other operating income and expenses. Foreign exchange rate gains and losses resulting from borrowings and cash and cash equivalents are recognised as financial income or expense in the consolidated statement of income. Accounting treatment of foreign exchange rate gains and losses arising from derivative instruments are described in more detail in the section covering derivative instruments as well as hedge accounting.

2.3 Summary of significant accounting policies

REVENUE RECOGNITION

Fazer manufactures and sells a range of bakery, biscuit, confectionery and plant-based products in the wholesale and retail market. Revenue from sales of goods is recognised when the control and the risks and benefits of the ownership of the goods has been transferred. The control is transferred when the products are delivered to the wholesaler or retailer, which have full discretion over the channel or store and price to sell the products, and there is no unfilled obligation for Fazer. Delivery occurs when the products have been delivered to the specific location or collected from agreed warehouse, the risks of obsolesce and loss have been transferred to the wholesaler, and either the customer has accepted the delivered products in accordance with the sales contract, or the Group has objective evidence that all criterions for acceptance have been satisfied. Fazer Confectionery includes also Retail business, which consist of cafés and bakery shops that are open for everyone. These sales points offer chocolate, confectionary and plant-based products in addition to bakery and other cafe products and the income is generated when a customer pays for the product.

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

The contracts concluded by Fazer include a range of variable price components, such as volume discounts and bonuses. Revenue from these types of contracts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide discounts, and revenue is only recognised to the extent that is highly probable that a significant reversal will not occur. A contract liability is recognised for expected volume discounts into the same period when the corresponding revenue is recognised and are included as accruals amongst trade and other payables. Payment terms are typical to the business and contracts do not include significant financing components. When control over goods is transferred to a customer before the customer pays the consideration, the receivable is recognised as a contract asset. The contract asset represents the right to a future consideration. Contract assets are recorded as accruals amongst trade and other receivables.

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.

RESEARCH AND DEVELOPMENT EXPENSES

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

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

INCOME TAXES

Income taxes recognised in the consolidated income statement include the Group companies' taxes on current net profits on an accrual basis, prior period tax adjustments and changes in deferred taxes. The Group companies' taxes have been calculated from the taxable income of each company determined by local jurisdiction.

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

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

GOODWILL

Goodwill arising from the business combinations is calculated as the excess of acquisition cost over the fair values of identified assets and liabilities acquired. Goodwill typically represents the value of the synergies, business knowledge and the acquired market share. Goodwill is not amortised but tested for impairment annually and whenever there is an indication of impairment. Goodwill is recognised at its original acquisition cost, less impairment losses.

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

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

INTANGIBLE ASSETS

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

The valuation of intangible assets acquired in a business combination is based on fair value at the date of acquisition. Expected useful lives and indefinite lives of intangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, amortisation periods are changed accordingly.

The estimated useful lives for intangible assets are as follows:

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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.

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 by the point-of-sale or other variable element, like the number of rented pallets placed in warehouses. For some points-of-sale, up to 100% of lease payments are based on variable payment terms or is based on sales with a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs for a newly established store or according to other general practice. Changes in conditions regarding variable lease payments are recognised in the income statement in that period in which the change of the condition in the leasing contract has taken place. Variable lease payments that depend on sales are recognised in the income statement in the period in which the condition that triggers those payments occurs.

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.

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.

FINANCIAL ASSETS AND LIABILITIES

A financial asset or liability is recognised when the Group becomes a party to a contract comprehending a financial asset or liability.

Financial assets are classified in accordance with IFRS 9 depending on the business model for managing financial assets and the contractual terms of the cash flows in the following measurement categories:

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

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

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

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

Financial assets

Financial assets, including derivatives, are initially recognised at fair value, deducted by transaction costs if financial asset is recognised at amortised cost. Financial assets recognised at amortised cost are measured using the effective interest method.

Other financial assets are measured at their fair value either through financial items in the income statement or loss or through other comprehensive income, based on the classification above.

Financial asset measured at amortised cost consists of other non-current loan receivables, trade receivables and cash and cash equivalents. Cash and cash equivalents include deposits, which are made to ensure return on liquid funds. Return from deposits consists of interest and repayment of initial principal as the deposit matures. Trade and loan receivables include those items where the business model is to hold the asset to collect the contractual cash flows.

Financial assets measured at fair value through profit or loss 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.

Financial assets measured at fair value through other comprehensive income consists of non-current financial assets and include holdings in companies with a strategic interest for the group. These holdings have been irrevocably classified as fair value through other comprehensive income.

Financial liabilities

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

Financial liabilities measured at amortised cost include loans from financial institutions, leasing debt, commercial papers, trade payables and loans from third parties that are not financial or pension institutions. Transaction costs are deducted from the principal amount and the difference is expensed as interest expenses in the income statement using the effective interest method.

Financial liabilities measured at fair value through profit or loss consist of contingent consideration liabilities. All transaction cost and changes to the fair value is recognised in financial items in the income statement. Financial liability is derecognised when the debt has extinguished, i.e. once the related obligation is discharged, cancelled or expired.

Arrangement fees in relation to credit facilities are capitalised as prepayments and expensed in financial items in the income statement over the period of the facility if there is no evidence that it is probable that some or all of the facility will be drawn down.

Derivative instruments

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

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

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

The Group does not have material embedded derivatives.

Hedge accounting

Hedge accounting is applied on cocoa hedging transactions entered into in relation to highly probable cocoa purchases. Hegde accounting is applied on foreign currency hedging transactions entered into in relation to certain highly probable sales and purchase transactions denominated in foreign currencies. Hedging of commodity and foreign currency transactions are defined as cash flow hedging. A hedging relationship is recognised and documented when an economic relationship exists between the hedging instrument and the hedged item, and the critical terms of the hedging instrument are similar to the critical terms of the hedged item.

The effectiveness of the hedge is evaluated as the hedging relationship is recognised, and forward-looking effectiveness testing is carried out at each reporting date. To the extent these relationships are effective, the change in fair value of the hedging relationship is recognised in the hedge reserve in equity. The fair value portion of hedges is allocated to hedged raw material, work in progress and finished goods in proportion to how much hedged raw material is included in them at the period end closing. Hedge results are recognised in income statement as the inventory is consumed.

At the end of each reporting period, the market value of open hedge accounted derivatives is recognised in the other comprehensive income. The ineffective portion is recognised immediately in the financial items in the income statement if the fair value change of the component designated as a hedging instrument exceeds the fair value change of the hedged item in absolute terms. The fair value portion of hedges in relation to sales that have been recognised in equity are allocated to the other operating income when the sale that they relate to occurs.

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

TRADE RECEIVABLES

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

Exchange rate differences arising from trade receivables are recognised in other operating income or expenses.

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories are classified as materials and supplies, work in progress or finished goods. Cost is determined by the method most appropriate to the particular nature of the inventory, the first-in-first-out (FIFO) method or weighted average cost. The cost of inventories includes the transfer from equity of any gains or losses on qualifying hedging in relation to raw material purchases.

Material and supplies are stated at the lower of cost or net realisable value. Cost includes all direct purchasing costs including transportation. Work in progress and finished goods are stated at the lower of cost or net realisable value. The cost comprises raw materials, direct labour, other direct costs and a proportion of related overheads. Spare parts that do not meet the definition of property, plant and equipment are recognised as material and supplies and stated at cost, adjusted for any obsolescence provision.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion of the goods and estimated cost of sale.

PROVISIONS AND CONTINGENT LIABILITES

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

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

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

TRADE AND OTHER PAYABLES

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

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.

OPERATING RESULT

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

DIVIDENDS

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

2.4 Adoption of new and amended IFRS accounting standards

CHANGES IN IFRS ACCOUNTING STANDARDS

Starting from 1 January 2024, Fazer has applied the following new accounting standards and amendments, but they have not had any significant impact on the financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current as well as Classification of Liabilities as Current or Non-current – Deferral of Effective Date; and Non-current Liabilities with Covenants.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements.

FORTHCOMING IFRS ACCOUNTING STANDARDS AND INTERPRETATIONS

New and amended accounting standards or interpretations that were issued by the 31 December 2024 and effective from 1 January 2025 or later and their effect on Fazer's financial statements are analysed below.

IFRS 18 Presentation and Disclosures in Financial Statements

In April 2024 the IASB published the new accounting standard IFRS 18 Presentation and Disclosure in Financial Statements which will replace IAS 1 Presentation of Financial Statements. IFRS 18 sets out the requirements for presentation and disclosures in financial statements with focus on the income statement and reporting of financial performance.

The new standard is effective for annual reporting periods beginning on or after 1 January 2027 and is applied retrospectively on comparable information. Earlier application is permitted. The standard is not yet endorsed by the EU.

It is not yet possible to conclude how IFRS 18 will impact the presentation of Fazer's statement of income and disclosures of management-defined performance measures. As IFRS 18 will not change Fazer's recognition and measurement it is not expected to have any significant impact on other parts of the financial statement or notes in the period of initial application.

Other amendments

Fazer have identified the following new IFRS accounting standards, amendments and interpretations that are assessed not to have any significant impact on Fazer Group's financial statements, financial position or presentation of the financial statements.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

3. ESTIMATES AND ASSUMPTIONS REQUIRING MANAGEMENT JUDGEMENT

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

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment.

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

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

VALUATION AND ESTIMATE OF USEFUL LIFE

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

CRITICAL JUDGEMENTS IN DETERMINING LEASE TERM

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

NET REALISABLE VALUE OF INVENTORIES

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

DEFINED BENEFIT OBLIGATIONS – ACTUARIAL ASSUMPTIONS

The present value of pension obligations is subject to the actuarial assumptions used by actuaries to calculate these obligations. Several actuarial assumptions are used in calculating the expenses and obligations related to the plans. These factors include, among others, assumptions about the discount rate, changes in future compensation and employee service length. Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. Retirement benefit obligations are disclosed in Note 20.

RECOGNITION AND MEASUREMENT OF PROVISIONS

At the moment the most significant provisions in the statement of financial position relate to restoration of leased premises. It is in the nature of provisions that they involve a certain degree of uncertainty. The judgement in relation to restoration provisions mainly relate to the estimated amounts of restoration costs. The provision is made separately for each lease agreement and management uses their past experience from restorations when preparing new or updating old estimates of restoration provisions. Restoration provisions arising from individual leases are generally not material from the Group perspective. More details about provisions in general is provided in Note 19.

RECOGNITION OF DEFERRED TAX ASSETS

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

ACCRUALS

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

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

4. NET SALES

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

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

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 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, Latvia and in 2024 also the bakery in Lithuania was still operating. We also have a network of shop-in-shop bakeries in Finland, Sweden 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 LIFESTYLE FOODS

Fazer Lifestyle Foods focuses on plant-based drinks, smoothies, breakfast foods such as porridges, cereals, and mueslis. Brands include Fazer Aito, Fazer Alku, Frebaco and Froosh. 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.

Net sales by business area

MEUR	2024	2023
Fazer Confectionery	543.1	505.0
Fazer Bakery	452.4	462.6
Fazer Lifestyle Foods	218.5	237.0
Other	22.1	20.3
Internal sales	-53.0	-54.8
Total	**1,183.1**	**1,170.1**

Net sales by country

MEUR	2024	2023
Finland	740.3	746.1
Sweden	274.9	269.1
Estonia	27.9	29.4
Latvia	22.4	22.3
Denmark	20.9	17.7
Lithuania	18.3	19.9
Norway	15.8	14.9
Other countries	62.7	50.7
Total	**1,183.1**	**1,170.1**

Other net sales consist of Group internal services, Xylitol business and Fazer Experience visitor centre. Other countries consist of several countries to which the Group sells its products and there is no individually significant country that should be presented separately.

Fazer Group has two customers for which the value of net sales separately for both exceeds 10% of Fazer Group's total net sales. The net sales for these customers is reported in net sales of all of the three business areas.

5. OTHER OPERATING INCOME AND EXPENSES

5.1 Other operating income

MEUR	2024	2023
Gain from sales of non-current assets	1.3	1.7
Rents	0.5	0.5
Subsidies received	0.4	2.1
Other	7.1	6.2
Total	**9.2**	**10.5**

5.2 Materials and services

MEUR	2024	2023
Purchases during the period	461.9	444.7
Change in inventory (- increased /+ decreased)	8.9	10.0
External services	10.0	11.2
Total	**480.9**	**465.9**

5.3 Employee benefit expenses

MEUR	2024	2023
Wages and salaries	240.8	238.0
Pension costs - defined contribution plans	36.6	36.4
Pension costs - defined benefit plans	-0.0	-0.0
Other employee benefit expenses	1.1	2.0
Social security costs	20.7	22.0
Total	**299.2**	**298.5**

Information on the defined benefit plans is provided in note 20. Information on remuneration to the Board of Directors and Fazer Leadership Team as well as related party transactions are provided in note 23.

Personnel by business area, FTE for the end of period

	2024	2023
Fazer Confectionery	1,664	1,641
Fazer Bakeries	2,331	2,320
Fazer Lifestyle Foods	444	471
Other	325	312
Total	**4,764**	**4,743**

5.4 Other operating expenses

MEUR	2024	2023
Rents for premises	28.3	26.5
Energy	45.2	62.8
Production maintenance	55.5	57.2
ICT	13.8	14.0
Freight and other transport	58.2	58.1
Marketing	32.9	31.4
Other	45.3	42.7
Total	**279.3**	**292.7**

Audit fees	2024	2023
PricewaterhouseCoopers		
Audit	0.7	0.7
Tax services	0.1	-
Other services	0.2	0.2
Total	**1.0**	**0.8**

Expenses reported as ‘Other’ include amongst other costs related to consulting and other services, travel, non-statutory employee, and other administration. Rents for premises contains variable lease payments, short term lease payments and until further notice lease payments for premises. Lease payments in other operating expenses amount to EUR 30.1 (29.9) million and are included in most classes of other operating expenses. More information on lease expenses is provided in note 12.

6. FINANCIAL INCOME AND EXPENSES

MEUR	2024	2023
Interest income and expenses		
Interest expenses		
From financial liabilities at amortised cost	-1.0	-1.1
From financial liabilities at fair value	-1.0	-0.7
From leasing liabilities	-1.6	-1.1
Net-interest from defined benefit plans	-0.1	-0.1
Other items	-0.6	-0.9
Interest income		
From financial assets at fair value	0.9	0.7
Other items	1.9	1.8
Interest income and expenses, net	**-1.4**	**-1.3**
Foreign exchange rate gains and losses		
Currency derivatives	1.6	2.5
Other	-0.1	-4.9
Total	**1.5**	**-2.4**
Other items		
Other financial expenses		
Fees and expenses related to financing transactions	-0.6	-0.6
Other financing expense	-0.1	-0.1
Total	**-0.7**	**-0.7**
Financial income and expenses, total	**-0.6**	**-4.3**

A significant part of interest income and expenses as well as foreign exchange rate gains and losses arise from financial assets and liabilities measured at amortised cost or fair value through the income statement. Financial assets and liabilities measured at fair value through the income statement mainly consists of derivative instruments.

Interest expenses arise mainly from foreign exchange rate derivatives, commercial paper funding, loans from financial institutions and bank accounts. Interest income mainly arise from bank accounts and foreign exchange rate derivatives.

Foreign exchange gains and losses mainly arise from foreign exchange rate derivatives, financial transactions in foreign currencies and bank accounts.

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.

7. TAXES

7.1 Income taxes

MEUR	2024	2023
Income taxes		
Current tax on profits for the year	-12.9	-10.3
Adjustments of current taxes for prior periods (+/-)	-0.6	-0.2
Total income taxes, continuing operations	**-13.5**	**-10.5**
Deferred taxes		
Decrease (-) / increase (+) of deferred tax assets	2.2	5.5
Decrease (+) / increase (-) of deferred tax liabilities	0.6	4.4
Total deferred taxes	**2.8**	**9.9**
Total income taxes	**-10.7**	**-0.6**

Reconciliation of effective tax rate

MEUR	2024	2023
Profit before tax	**45.4**	**-86.0**
Parent company's tax rate	20.0 %	20.0 %
Tax computed at parent company's tax rate	-9.1	17.2
Effect of different tax rates in foreign subsidiaries	-0.1	0.2
Effect of non-deductible expenses	-0.3	-0.4
Effect of income not subject to tax	0.4	0.0
Goodwill impairment	-	-17.5
Utilisation of previously unrecognised tax losses carried forward	0.1	0.0
Unrecognised taxes on losses carried forward	-1.6	-0.7
Tax for previous financial periods	-0.6	-0.2
Other items	0.4	0.8
Taxes in income statement	**-10.7**	**-0.6**
Effective tax rate	**23.7%**	**0.7%**

7.2 Losses carried forward

	Losses carried forward for which deferred tax is recognised		**Recognised deferred tax assets**	
MEUR	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**
No expiry	6.1	6.4	1.3	1.3
Total	**6.1**	**6.4**	**1.3**	**1.3**

	Losses carried forward for which deferred tax is unrecognised		**Unrecognised deferred tax asset**	
MEUR	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**
Expiry within five years	-	0.1	-	0.0
Expiry after five years	0.7	0.1	0.1	0.0
No expiry	39.8	33.8	8.2	7.0
Total	**40.5**	**34.1**	**8.3**	**7.0**

7.3 Deferred tax assets and liabilities

MEUR	1 Jan 2023	Recognised in income statement	Recognised in other comprehensive income	Reclassifi-cation	Exchange rate differences	31 Dec 2023	Recognised in income statement	Recognised in other comprehensive income	Reclassifi-cation	Exchange rate differences	31 Dec 2024
Deferred tax assets											
Intangible assets	6.7	-0.1	-	-	-	6.7	-0.1	-	-	-	6.6
Tangible assets	11.5	6.2	-	-	0.0	17.7	2.0	-	-0.4	-0.1	19.2
Inventory	0.1	0.0	-	-	-0.0	0.1	-0.0	-	-	-	0.0
Employee benefits	0.8	0.1	0.0	-	0.0	0.9	-0.2	0.0	-	-0.0	0.7
Provisions	0.2	0.1	-	-	-0.0	0.4	0.4	-	0.3	-0.0	1.0
Tax losses carried forward	2.2	-0.8	-	-	-0.0	1.3	-0.0	-	-	-0.0	1.3
Other items	0.4	0.0	-	-	-	0.4	0.1	-	0.1	-	0.6
Total	**21.9**	**5.5**	**0.0**	**-**	**-0.0**	**27.5**	**2.2**	**0.0**	**-**	**-0.2**	**29.5**
Netting of deferred taxes	-21.4					-27.0					-28.9
Total	**0.5**					**0.5**					**0.6**
Deferred tax liabilities											
Intangible assets	11.1	0.7	-	3.3	-0.0	15.1	-0.5	-	-	-0.3	14.3
Tangible assets	38.4	-4.4	-	-3.3	-0.0	30.6	-0.6	-	0.3	-0.1	30.1
Hedge reserve	0.0	-	0.7	-	-	0.7	-	5.7	-	-	6.4
Inventory	2.2	-0.2	-	0.0	-	2.1	0.4	-	-	-0.0	2.4
Employee benefits	0.2	-0.1	-0.0	-	0.0	0.1	0.1	-0.1	-	-0.0	0.1
Provisions	0.0	-0.0	-	-	-	0.0	-	-	-0.0	-	-
Other items	0.4	-0.4	-	-	-0.0	-	0.1	-	0.0	-	0.1
Total	**52.2**	**-4.3**	**0.7**	**-**	**-0.1**	**48.6**	**-0.6**	**5.6**	**0.3**	**-0.4**	**53.5**
Netting of deferred taxes	-21.4					-27.0					-28.9
Total	**30.8**					**21.6**					**24.6**

7.4 Pillar Two income taxes

Fazer Group is within the scope of the OECD Pillar Two model rules. Under the legislation, Fazer is liable to pay a top-up tax if Globe effective tax rate per jurisdiction is below 15% minimum rate. Pillar Two legislation has been enacted in Finland and came into effect from 1 January 2024. Fazer applies a mandatory temporary exemption under IAS 12 88A in the recognition and presentation of deferred tax liabilities and assets.

Pillar Two legislation has been enacted or substantively enacted in most of the jurisdictions in which the Group operates. Fazer Group is not exposed to Pillar Two income taxes in the reporting period. Either Pillar Two effective tax rates exceed 15% or transitional safe harbour reliefs are applicable.

8. EARNINGS PER SHARE

	2024	2023
Number of shares		
Weighted average number of shares outstanding	6,839,525	6,739,834
Diluted weighted average number of shares outstanding	6,839,525	6,739,834
Result for the period attributable to equity holders of the parent, Group total, MEUR	**34.7**	**-87.2**
Earnings per share from result for the period attributable to equity holders of the parent, Group total		
Basic, Group total, euro	5.07	-12.94
Diluted, Group total, euro	5.07	-12.94

Fazer has two classes of shares, ordinary shares and preference shares and the earnings per share would remain the same if it was calculated separately for each class. Further information about the differences between the share classes in section 17.1.

9. GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

GOODWILL 2024

	31 December 2024	
MEUR	**Goodwill**	**Trademarks**
Fazer Confectionery	81.1	18.5
Fazer Bakery	9.4	-
Fazer Lifestyle Foods	118.7	15.9
Total	**209.2**	**34.4**

Annual impairment testing

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (discounted cash flow method). The planning period for cash flows is five years. The cash flow projections are based on the Group's strategy and long-term financial plan. All cash flow projections reflect the past performance of the business operations and management expectations for future development considering growth, demand, and price estimates by market research institutions when available. Furthermore, the long-term plans for specific CGU are used in sales and profit estimates. The terminal growth rate used in projections is based on management's assessment on conservative long-term growth, based on inflation and growth of the operating market. Growth rate 1.7% is used for Fazer Confectionery and Fazer Bakery, and 2% for Fazer Lifestyle foods.

The discount rate applied to cash flow projections is the weighted average pre-tax cost of capital (WACC) as defined by Fazer for each CGU, in which company-specific risk premiums are considered. The WACCs of the cash generating units were following: Fazer Confectionery 8.7%, Fazer Bakery 8.8% and Fazer Lifestyle Foods 8.0%. The components of WACC are risk-free long-term government bond rates, market risk premiums and industry risk premiums, cost of debt, target capital structure and country-specific risks.

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

The annual impairment tests for goodwill and trademarks with an indefinite useful life were performed for Fazer's cash generating units, i.e. Fazer Confectionery, Fazer Bakery and Fazer Lifestyle Foods at the end of September. Fazer compared the recoverable amount of each business against the carrying amounts to define whether there were any indications of goodwill impairments. As a result of the impairment test, no impairment loss for the CGU's was recognised for the financial period.

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 Confectionery and Fazer Bakery, no reasonable possible change in the key assumptions would cause the carrying amount of the CGU to exceed the recoverable amount.

A sensitivity analysis has been carried out for Fazer Lifestyle foods. The value in use exceeds the carrying amount of the assets by EUR 18 million. An impairment loss should be recognised, if the discount rate would increase by more than 0.3 percentage points, if the terminal growth rate would decrease by more than 0.4 percentage points or if the terminal EBITDA-% would decrease by more than 0.5 percentage points. This situation can change, as it depends on expected future profit performance.

GOODWILL 2023

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

Annual impairment testing

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (discounted cash flow method). The planning period for cash flows is five years. The cash flow projections are based on the Group's strategy and long-term financial plan. All cash flow projections reflect the past performance of the business operations and management expectations for future development considering growth, demand, and price estimates by market research institutions when available. Furthermore, the long-term plans for specific CGU are used in sales and profit estimates. The terminal growth rate used in projections is based on management’s assessment on conservative long-term growth, based on inflation and growth of the operating market. Growth rate 1.7% is used for Fazer Confectionery and Fazer Bakery, and 3% for Fazer Lifestyle foods.

The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) as defined by Fazer for each CGU, in which company-specific risk premiums are considered. The WACCs of the cash generating units were following: Fazer Confectionery 10.0% Fazer Bakery 10.2% and Fazer Lifestyle Foods 9.6%. The components of WACC are risk-free long-term government bond rates, market risk premiums and industry risk premiums, cost of debt, target capital structure and country-specific risks.

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

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

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

Sensitivity analysis

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

Additional goodwill impairment testing of cash generating unit Fazer Lifestyle Foods

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

10. INTANGIBLE ASSETS

MEUR	Goodwill	Customer relationships	Trademarks and other immaterial rights	Other capitalised expenditure	Advance payments and work in progress	Total
Cost 1 Jan 2023	**302.0**	**19.5**	**66.5**	**55.7**	**1.0**	**444.6**
Additions	-	-	-	0.1	1.8	1.8
Disposals	-	-	-	-0.2	-	-0.2
Reclassifications	-	-	-	0.3	-	0.3
Exchange rate differences	0.4	0.0	0.1	-0.0	0.0	0.5
Cost 31 Dec 2023	**302.4**	**19.5**	**66.6**	**55.9**	**2.8**	**447.1**
Additions	-	-	-	0.1	2.9	3.0
Disposals	-	-	-0.3	-0.3	-	-0.6
Reclassifications	-	-	-	0.0	-0.4	-0.4
Exchange rate differences	-1.0	-0.6	-1.2	-0.0	-0.0	-2.8
Cost 31 Dec 2024	**301.4**	**18.9**	**65.1**	**55.6**	**5.2**	**446.2**
Acc. amortisations and impairments 1 Jan 2023	**-**	**-6.1**	**-11.2**	**-52.0**	**-**	**-69.4**
Amortisations	-	-4.8	-2.2	-1.7	-	-8.7
Impairments and reversal of impairments	-87.5	-	-	-	-	-87.5
Amortisations on disposals and reclassifications	-	-	-	0.2	-	0.2
Exchange rate differences	-2.4	-0.2	-0.1	0.0	-	-2.6
Acc. amortisations and impairments 31 Dec 2023	**-89.9**	**-11.1**	**-13.5**	**-53.5**	**-**	**-168.0**
Amortisations	-	-4.9	-2.2	-1.5	-	-8.5
Impairments and reversal of impairments	-	-	-	-	-1.2	-1.2
Amortisations on disposals and reclassifications	-	-	0.3	0.3	-	0.6
Exchange rate differences	-2.2	0.4	0.1	0.0	-	-1.7
Acc. amortisations and impairments 31 Dec 2024	**-92.1**	**-15.6**	**-15.3**	**-54.6**	**-1.2**	**-178.9**
Carrying amount						
31 December 2024	**209.2**	**3.3**	**49.7**	**1.0**	**4.0**	**267.3**
31 December 2023	212.5	8.4	53.1	2.4	2.8	279.1

11. PROPERTY, PLANT AND EQUIPMENT

	Owned assets					Right-of-use assets			
MEUR	**Land and water**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Work in progress**	**Land and water**	**Buildings and structures**	**Machinery and equipment**	**Total**
Cost 1 Jan 2023	**22.7**	**297.4**	**757.9**	**17.5**	**26.8**	**0.6**	**87.2**	**43.5**	**1,253.7**
Additions	-	1.8	12.1	0.6	29.5	0.1	8.2	6.5	58.8
Disposals	-1.4	-0.8	-17.1	-1.0	-0.8	-	-0.5	-2.0	-23.8
Reclassifications	-	0.5	12.8	0.0	-13.3	-	-0.0	-0.3	-0.3
Exchange rate differences	0.0	0.1	0.2	0.0	-0.0	-	0.2	0.0	0.6
Cost 31 Dec 2023	**21.3**	**298.9**	**765.9**	**17.0**	**42.3**	**0.7**	**95.1**	**47.8**	**1,289.0**
Additions	-	7.9	16.1	0.8	27.1	0.0	13.7	4.3	70.0
Disposals	-	-0.0	-28.7	-0.6	-	-	-0.2	-2.1	-31.7
Reclassifications	16.1	1.1	7.1	0.0	-7.7	-	-	-	16.6
Exchange rate differences	-0.1	-1.2	-4.1	-0.1	-0.2	-	-1.0	-0.3	-6.9
Cost 31 Dec 2024	**37.3**	**306.7**	**756.3**	**17.3**	**61.5**	**0.7**	**107.6**	**49.7**	**1,337.1**
Acc. depreciations and impairments 1 Jan 2023	**-**	**-167.4**	**-534.0**	**-9.4**	**-**	**-0.1**	**-59.0**	**-18.5**	**-788.4**
Depreciations	-	-11.0	-35.5	-2.0	-	-0.0	-8.0	-5.0	-61.6
Impairments and reversal of impairments	-	-5.0	-41.6	-0.1	-	-	-	-	-46.8
Depreciations on disposals and reclassifications	-	0.8	16.3	1.0	-	-	0.5	1.7	20.3
Exchange rate differences	-	-0.1	0.0	-0.0	-	-	-0.1	-0.0	-0.3
Acc. depreciations and impairments 31 Dec 2023	**-**	**-182.7**	**-594.9**	**-10.5**	**-**	**-0.1**	**-66.7**	**-21.9**	**-876.7**
Reclassifications	-14.4	-	-	-	-	-	-	-	-14.4
Depreciations	-	-10.5	-30.8	-1.9	-	-0.0	-8.4	-5.4	-57.0
Impairments and reversal of impairments	-1.6	-1.5	-6.7	-0.0	-10.4	-	-	-	-20.3
Depreciations on disposals and reclassifications	-	0.0	26.2	0.5	-	-	0.2	1.7	28.7
Exchange rate differences	0.0	0.5	2.9	0.0	-	-	0.6	0.2	4.2
Acc. depreciations and impairments 31 Dec 2024	**-16.0**	**-194.2**	**-603.3**	**-11.9**	**-10.4**	**-0.1**	**-74.2**	**-25.5**	**-935.6**
Carrying amount									
31 December 2024	**21.4**	**112.5**	**153.1**	**5.4**	**51.1**	**0.6**	**33.4**	**24.2**	**401.6**
31 December 2023	21.3	116.2	171.0	6.6	42.3	0.6	28.5	25.8	412.3

Capital expenditures in property, plant and equipment totalled EUR 52.0 (44.0) million and increases of right-of-use assets totalled EUR 18.0 (14.8) million. In year 2024 single largest investment relates to the consolidation of the Baltic bakery units to Ogre in Latvia EUR 14.1 million.

Land areas are no longer classified as available for sale according to IFRS 5. The effects of this are presented as reclassifications in the schedule. Further details in note 24.

2023 impairment EUR 46.8 million in relation to buildings, property, plant and equipment relates mainly to longer than ramp-up of Fazer's xylitol factory and the announcement to consolidate production of oat drinks and oat-based cooking products from the factory in Koria, Finland to the factory in Tingsryd, Sweden.

During 2024 and 2023 no borrowing costs have been capitalised.

12. LEASES

Expenses in relation to leasing agreements are presented in the following schedule.

MEUR	2024	2023
Items in financial expenses		
Interest expenses	1.6	1.1
Items in other operating expense		
Short-term leases	0.3	0.3
Low-value assets	1.7	1.6
Until further notice contracts	1.4	1.4
Variable lease payments	26.8	26.6
Total, included in other operating expenses	**30.1**	**29.9**

The Group's leasing contracts consists mainly of leases of various properties, equipment 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.

The amount of right of 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 13.1 under liquidity and refinancing risk. Information regarding leasing liabilities not included in the balance sheet can be found in note 22.

Depreciations in relation to right of use asset arising from leasing contracts amounted to EUR 13.8 (13.1) million and they are included in depreciation, amortization and impairment in the consolidated profit or loss statement.

Leases not yet commenced, which the Group is committed to, amounted on 31 December 2024 to EUR 0.2 (1.4) million. If net sales in relation to the variable lease payments would increase by 1% it would increase variable leasing expenses with EUR 0.3 million.

13. FINANCIAL ASSETS AND LIABILITIES

13.1 Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity, refinancing risks, and counterparty risks. The Treasury Policy is approved by the Board of Directors which defines the objectives and principles within which the financial risks are to be managed in the Group. Treasury committee monitors the Policy compliance on monthly basis and Group Treasury reports to the Board of Directors regularly. Deviation from the Policy requires decision from the Board of Directors. The financial risk management is centralised to the Group Treasury in the parent company. The Group Treasury functions as the internal bank for the Group, offering financial services to the Group companies. The Group Commodity Risk Management Policy, approved by the Board of Directors, governs the commodity specific risk management policies. These policies more specifically define the principles for each of the most central commodities. The Group aims to operate with low risk in all financing activities. All transactions in financial derivative instruments are undertaken to manage risks and financial costs arising from underlying business or financing activities. The derivatives used by the Group to manage currency and commodity risks are mainly currency and commodity forwards. The financial policy does not restrict the use of other derivatives. It is possible to use options and other derivatives. The derivatives used are specified in note 13.3.

Foreign exchange risk – transaction risk

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

Foreign currency exposure

	31 December 2024			
MEUR	**GBP**	**NOK**	**SEK**	**USD**
Trade receivables	-	0.6	7.6	0.1
Trade payables	-9.1	-0.0	-2.3	-0.3
Bank accounts	-0.1	0.9	0.8	0.1
Loans and deposits	-	-	7.9	-
Commodity derivatives	31.1	-	-	-
Foreign exchange hedges	63.0	-2.6	-42.4	2.4
Operative exposure, net of hedges	**84.9**	**-1.1**	**-28.3**	**2.3**
Sensitivity to market risk				
10% favourable change impact on pre-tax profit	-1.1	0.1	2.6	0.1
10% favourable change impact on OCI	10.3	-	-	0.2
10% unfavourable change impact on pre-tax profit	0.9	-0.1	-3.1	-0.1
10% unfavourable change impact on OCI	-9.0	-	-	-0.2

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

The operative currency exposure at the end of the financial period includes the agreed hedging transactions. The trade receivable and payable exposures include both external and intercompany transactions in foreign currencies in relation to the functional currency. The above position exposure does not include forecasted cash flows. Group hedges GBP and USD raw material purchases as well as balance sheet items and sales income in SEK and NOK. As for bank accounts, a negative currency-specific balance in the Group's multicurrency cash pool is shown as a negative value under the respective currency.

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

Foreign exchange risk – translation risk

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

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

	31 December 2024				
MEUR	**NOK**	**RUB**	**SEK**	**DKK**	**PLN**
Equity	2.1	0.1	146.9	3.8	1.1
Change in equity	0.2	0.0	16.3	0.4	0.1

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

The sensitivity analysis highlights the estimated impact on consolidated equity of 10% strengthening of the foreign currencies against euro, assuming hedging transactions have not been entered into. A 10% weakening of the foreign currencies would have approximately equal opposite effect in other currencies excluding SEK where impact would be EUR -14.4 million.

Commodity risk

The Group is exposed to raw material price risks particularly in grain products and cocoa, as well as to electricity and gas price risks. According to commodity specific risk management policies, minimum 100% of the subsequent 3 months' need of grain and 6 months' need of cocoa is required to be covered by physical contracts or stock. At least 80% of the cocoa price risk for the next six months must be hedged by physical contracts, stocks or financial instruments. Maximum 100% of the total raw material need during subsequent 12 months for cocoa, after which declining levels of coverage may be applied up to 24 months. Fazer purchases cocoa products, such as cocoa butter or cocoa liquor. Physical purchase agreements include conditions such as product definition, delivery time, ratio component, and cocoa bean price component. Fazer uses cocoa forwards to hedge the price component of cocoa beans in physical cocoa product delivery agreements and it never results in a physical delivery of cocoa beans or cocoa products. Typically, when buying a cocoa forward, there is no existing physical contract. Once the physical contract has been agreed and the cocoa bean price component of the contract has been confirmed, the forward is closed. The result of the hedging transaction is recognised as an adjustment for raw material purchases or, for acquisitions included in inventories, as a cost adjustment. On the balance sheet date, the purchase price adjustment decreased inventories by EUR 3.6 million.

Up to 100% of the next 16 months' grain needs can be hedged through inventory, physical purchase agreements and financial instruments. The Grain Risk Management Policy applies to grain purchases in Finland; the pricing mechanism differs in other Fazer markets, and the Group hedging principles are not applicable in all countries due to regulatory issues. The Cocoa Risk Management Policy applies to all cocoa purchases. Maximum 100% of the electricity need for the current year may be covered by physical contracts and financial derivatives. In 2024, due to high volatility of the cocoa spot price, the basis adjustment recognized in December inventory values are 3.6 MEUR. 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. All physical commodity contracts are for own use.

Sensitivity of commodity derivatives to market risk

	31 December 2024		
	Cocoa	Wheat	Electricity
Total exposure	**102.2**	**1.8**	**11.4**
10% favourable change impact on pre-tax result	-	0.1	1.1
10% favourable change impact on OCI	4.3	-	-
10% unfavourable change impact on pre-tax result	-	-0.1	-1.1
10% unfavourable change impact on OCI	-4.3	-	-

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

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

Interest rate risk

The Group is exposed to interest rate risk to the extent it holds interest bearing assets and variable rate liabilities. Changes in market interest rates affect the Group's interest expenses. 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. The Group may use interest rate derivatives to hedge interest rates, in which case hedge accounting is targeted. In 2024 and 2023 interest-bearing debt used for assessing Group's interest rate risk, has not exceeded EUR 100 million, and interest rate derivatives have not been used.

At the end of the financial year the Group's interest-bearing net debt, including leasing liability, was EUR 22.4 (41.9) million. Cash and cash equivalents increased from previous year-end by EUR 17.3 million to EUR 78.9 million. The interest-bearing debt is fixed rate based. Assuming stable interest-bearing net debt position, one percentage point parallel upward shift in interest rates level would cause a EUR 0.6 (0.5) million increase in the Group's interest gain. The calculation reflects the fact that above interest-bearing net debt consists of fixed rate debt. As the Group's all financing instruments are based on Euribor, the LIBOR-reform does not have any significant effect on the Group's financing arrangements.

Sensitivity of net debt to change in Interest rate

	31 December 2024		31 December 2023	
MEUR	**Debt**	**Effect**	**Debt**	**Effect**
Increase of 1% in Interest rate	101.3	0.6	103.6	0.5
Decrease of 1% in Interest rate	101.3	-0.6	103.6	-0.5

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 cash flow and needs that are created due to strategic actions. Excess cash is invested in time deposits, commercial papers and bank accounts. Fazer reacts to the possible effects of Russian attack 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 has a multicurrency revolving credit facility originally signed in July 2021, the margin of the facility is partially dependent on company's emission reduction targets. At the end of the financial year the liquidity reserve consisted of an unused committed multicurrency revolving credit facility in the amount of EUR 220 (220) million and of cash and cash equivalents in the amount EUR 78.9 (61.6) million. The final maturity date of the multicurrency revolving credit facility is in July 2028. The Group also has bilateral Commercial Paper (CP) programs in place with several Nordic banks. The CP programs are available until further notice. Fazer have complied with the financial covenants in its loan agreements during 2024 as well as 2023, and management expects this situation to continue.

Fazer has a supply chain finance program where the supplier utilizes buyers credit rating when selling its receivables to a financial institution. These balances are classified as trade payables and the related payments as cash flows from operating activities. Total open balance within the program was EUR 11.5 million on 31 December 2024, when total purchases for the year 2024 were 793 million euros. The effect of the supply chain finance program to group's liquidity is minor. The payment terms do not materially deviate from the payment terms applied with the suppliers.

Interest-bearing liabilities

MEUR	31 Dec 2024	31 Dec 2023
Non-current interest-bearing liabilities		
Loans from financial institutions	22.9	28.6
Leasing liabilities	45.3	40.7
Total	**68.2**	**69.3**
Current interest-bearing liabilities		
Loans from financial institutions	5.7	5.7
Leasing liabilities	12.4	13.6
Commercial papers	15.0	14.9
Total	**33.1**	**34.3**
Interest-bearing liabilities, total	**101.3**	**103.6**

MEUR	2024	2023
Interest-bearing liabilities 1 January	**103.6**	**145.4**
Repayment of non-current debt	-5.7	-10.0
Proceeds of current debt	0.0	8.0
Repayment of current debt	-	-40.9
Repayment of lease liabilities	-13.7	-13.2
Increase of new lease liabilities	18.0	14.8
Exchange rate differences	-0.9	-0.5
Interest-bearing liabilities 31 December	**101.3**	**103.6**

The liabilities include leasing amounting to EUR 57.7 (54.3) million. In 2021, EUR 200 million multicurrency revolving credit facility was agreed. This facility was increased with EUR 20 million and extended with 24 months in 2023. As per end of 2024 the entire multicurrency revolving credit facility of EUR 220 million was unutilised. The facility is used as back up facility for general corporate purposes. The interest margin on the facility depends on the utilisation level and certain financial ratios of the Group. The EUR 40 million loan facility from EIB was withdrawn during 2021 and it matures in April 2029. The EIB loan was used to finance the xylitol plant investment in Lahti as well as research and development in the Group.

Contractual maturities of financial liabilities

	31 December 2024				
MEUR	6 months or less	6-12 months	1-3 years	3-5 years	More than 5 years
Financial institutions	5.8	-	11.6	11.5	-
Commercial papers	15.0	-	-	-	-
Leasing liabilities	7.0	7.0	20.5	11.6	19.5
Accounts payable	111.4	-	-	-	-
Gross-settled derivatives					
F/X derivatives (to be paid)	23.0	12.0	-	-	-
F/X derivatives (to be received)	-23.0	-12.0	-	-	-
Commodity derivatives (to be paid)	1.0	1.0	0.4	-	-
Net-settled derivatives					
Commodity derivatives	16.8	-	-	-	-
Total	**157.0**	**8.1**	**32.4**	**23.1**	**19.5**

	31 December 2023				
MEUR	**6 months or less**	**6-12 months**	**1-3 years**	**3-5 years**	**More than 5 years**
Financial institutions	5.8	-	11.6	17.3	-
Commercial papers	14.9	-	-	-	-
Leasing liabilities	7.8	6.9	19.6	9.9	15.4
Accounts payable	126.1	0.0	-	-	-
Gross-settled derivatives					
F/X derivatives (to be paid)	4.0	50.9	-	-	-
F/X derivatives (to be received)	-4.0	-50.2	-	-	-
Commodity derivatives (to be paid)	0.9	0.9	0.6	-	-
Net-settled derivatives					
Commodity derivatives	0.1	0.1	-	-	-
Total	**155.6**	**8.6**	**31.8**	**27.1**	**15.4**

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

Financial transactions counterparty credit risk

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

Credit risk from operative business is defined as Fazer not receiving payments for its receivables. The management of trade receivables credit risk has been defined in the Group's customer credit policy. Open and past due trade receivables are monitored on monthly basis. Credit limits and financial conditions of customers are monitored regularly and if needed, credit insurances can be used to reduce the credit loss risk of trade receivables. Fazer does not have significant concentration of customer credit risk. Credit risks in relation to trade receivables are shown in note 15.

13.2 Financial assets and liabilities by categories

Fair values of financial assets and liabilities by measurement category

	31 December 2024						31 December 2023				
MEUR	Amortised cost	Fair value through income statement	Fair value through OCI	Carrying amount	Fair value	Fair value hierarchy	Amortised cost	Fair value through income statement	Fair value through OCI	Carrying amount	Fair value
Assets											
Non-current financial assets											
Other shares and holdings	-	3.1	-	3.1	3.1	3	-	3.1	-	3.1	3.1
Strategic holdings	-	-	14.5	14.5	14.5	1	-	-	26.6	26.6	26.6
Non-current receivables	0.1	-	-	0.1	0.1		1.7	-	-	1.7	1.5
Trade receivables	131.7	-	-	131.7	131.6		128.2	-	-	128.2	128.2
Derivative instruments											
Hedge accounted derivatives	-	49.3	-	49.3	49.3	2	-	4.1	-	4.1	4.1
Derivatives, non-qualifying	-	1.0	-	1.0	1.0	2	-	2.3	-	2.3	2.3
Cash and cash equivalents	78.9	-	-	78.9	78.9		61.6	-	-	61.6	61.6
Liabilities											
Leasing liabilities	57.7	-	-	57.7	59.5		54.3	-	-	54.3	51.8
Loans from financial institutions	28.6	-	-	28.6	27.5		34.3	-	-	34.3	32.2
Commercial papers	15.0	-	-	15.0	-		14.9	-	-	14.9	14.9
Trade payables	111.4	-	-	111.4	111.4		126.1	-	-	126.1	126.1
Derivative instruments											
Hedge accounted derivatives	-	16.8	-	16.8	16.8	2	-	0.2	-	0.2	0.2
Derivatives, non-qualifying	-	2.5	-	2.5	2.5	2	-	3.0	-	3.0	3.0

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.

Changes between levels

The fair value measurement of the equity investment in Solar Foods Oyj has been changed from level 3 to level 1 during 2024. The rationale for this change was the technical listing of the shares on Nasdaq North Growth Market Finland in September 2024. The fair value of the shares is here on determined by using the closing rate of the Nasdaq North Growth Market Finland for the shares at the date of reporting period. The fair value of the non-current financial assets measured at fair value through other comprehensive income totalled EUR 14.5 million (26.6). The equity investment in Solar Foods Oyj is considered a strategic investment. For strategic equity investments which are not held for trading, classification as fair value through other comprehensive income is considered more relevant. On disposal of these investments, any related balance is reclassified to retained earnings.

No other changes between level 1, 2 and 3 during or between years.

Fair values under level 3 measurement hierarchy

In 2023 the non-current financial assets totalling EUR 26.6 million was measured at fair value through other comprehensive income. It consists of a strategical equity investment in Solar Foods Oy. These shares are measured based on the latest available external valuation of Solar Foods Oy prepared in connection to a share issue, issuance of convertible debt or similar. The latest external valuation prepared in connection to such a situation and used for the measurement of the shares in Solar Foods Oy is from October 2023. Fazer considers this method to reflect the most correct value of the equity investment currently as the company is in its start-up phase.

Other investments in non-current financial assets totalling EUR 3.1 million (3.1) consist of shares and holdings in unlisted real estate as well as other unlisted companies. All changes in fair value as well as any gain or loss on disposal of these investments are included in other operating income or loss in the income statement.

Offsetting financial assets and liabilities

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

Effects of offsetting on the statement of financial position

	31 December 2024		
MEUR	Gross amount in statement of financial position	Effect of general netting arrangement	Net amount
Derivative instruments, receivables	50.3	-17.7	32.7
Derivative instruments, payables	19.3	-17.7	1.7

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

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

13.3 Derivative instruments

Derivative instruments

	31 December 2024			
MEUR	**Positive fair value**	**Negative fair value**	**Net fair value**	**Nominal amounts**
Hedge accounted				
Currency forwards	1.4	-0.0	1.4	69.3
Cocoa forwards	47.9	-16.8	31.1	102.2
Non-qualifying				
Currency forwards	0.2	-0.1	0.1	84.9
Electricity forwards	0.8	-2.4	-1.7	11.4
Wheat forwards	0.0	-0.0	0.0	1.8
Total	**50.3**	**-19.3**	**31.0**	**269.6**

	31 December 2023			
MEUR	**Positive fair value**	**Negative fair value**	**Net fair value**	**Nominal amounts**
Hedge accounted				
Currency forwards	0.3	-0.1	0.3	36.5
Cocoa forwards	3.8	-0.1	3.7	41.2
Non-qualifying				
Currency forwards	0.1	-0.7	-0.6	86.6
Electricity forwards	2.1	-2.3	-0.2	14.0
Wheat forwards	0.0	-0.1	-0.1	1.9
Total	**6.4**	**-3.2**	**3.2**	**180.2**

Maturities of the derivatives under hedge accounting and corresponding underlying position items are equal. There is no hedge inefficiency since the value change of discounted spot component of open derivatives is equal to discounted value change of the respective underlying item. No hedge inefficiencies were present during the reporting period.

The timing profile of hedged derivatives is presented in note 13.1 in the schedule contractual maturities of financial liabilities in the section liquidity and refinancing risk.

The breakdown of changes in equity of the hedge reserve is presented in note 17.1.

14. INVENTORIES

MEUR	31 Dec 2024	31 Dec 2023
Materials and supplies	52.8	59.4
Work in progress	8.8	10.6
Finished products	40.3	39.1
Total	**101.9**	**109.1**

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

15. TRADE AND OTHER NON-INTEREST-BEARING RECEIVABLES

MEUR	31 Dec 2024	31 Dec 2023
Trade receivables	131.7	128.2
Other receivables	5.6	4.4
Derivative instruments	50.3	6.6
Advance payments	0.1	0.1
Accruals	7.6	6.8
Total	**195.3**	**146.0**

Trade receivables

MEUR	Gross 31 Dec 2024	Credit loss provision 31 Dec 2024	Gross 31 Dec 2023	Credit loss provision 31 Dec 2023
Undue	123.1	-	121.7	-
Past due up to 90 days	7.5	-0.0	6.2	-0.1
91-180 days past due	0.9	-0.3	0.4	-0.2
Past due over 180 days	0.9	-0.4	0.6	-0.5
Total	**132.4**	**-0.7**	**128.9**	**-0.8**

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is EUR 132.4 (128.9) million.

Reconciliation of loss allowance provision

MEUR	2024	2023
Loss allowance 1 January	0.8	0.2
Movement in provision recognised in the income statement in other expenses	0.3	0.6
Receivables written off during the year as uncollectible	-0.4	-0.1
Loss allowance 31 December	**0.7**	**0.8**

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 16.2 (13.0) million. No contract assets have been identified and recognised in the financial statements in 2024 or 2023.

16. CASH AND CASH EQUIVALENTS

MEUR	31 Dec 2024	31 Dec 2023
Cash and bank	78.9	61.6
Total	**78.9**	**61.6**

Reconciliation of cash and cash equivalents

MEUR	31 Dec 2024	31 Dec 2023
Balance sheet	78.9	61.6
Cash flow statement	78.9	61.7
Difference	**-**	**-0.1**

The difference between the cash and cash equivalents in the balance sheet and cash flow statement in 2023 arises from assets held for sale. In the balance sheet cash and cash equivalents associated with assets held for sale are reclassified and presented separately in the balance sheet in 2023.

17. EQUITY AND CAPITAL MANAGEMENT

17.1 Issued capital and equity reserves

Issued capital and shares

	Number of shares			
	Preference shares	Ordinary shares	Total	Share capital, MEUR
1 January 2023	**4,341,039**	**2,365,200**	**6,706,239**	**134.1**
Share issue	133,286	-	133,286	2.7
31 December 2023	**4,474,325**	**2,365,200**	**6,839,525**	**136.8**
31 December 2024	**4,474,325**	**2,365,200**	**6,839,525**	**136.8**

On 25 August 2023 an extraordinary general meeting decided to arrange a directed share issue in which a maximum of 246,226 new preference shares would be issued by Oy Karl Fazer Ab. The shares were to be used as a payment in kind for the acquisition of shares in Fazer Bakeries B.V. A total of 133,286 new preference shares were issued on 1 October 2023, corresponding to an increase of EUR 2,665,720 of the share capital. There have been no changes to the number of share or the share capital during 2024.

At the end of December 2024, the share capital was EUR 136,790,500 and the total number of shares was 6,839,525 of which 4,474,325, or 65.4 %, were preference shares and 2,365,200, or 34.6 %, were ordinary shares. The nominal value of the share is 20 euro, and all issued shares have been fully paid. The maximum number of preference shares is 14,620,320 and the maximum of ordinary shares is 9,460,800, so that the total number of the shares is 24,081,120 at maximum. Each preference share carries one vote, and each ordinary share carries ten (10) votes. The total votes attached to all shares was 28,126,325. Preference shares carry a preferential right to dividends, amounting to at least 6% of the share's nominal amount, ahead of ordinary shares in connection to the yearly distribution of the dividends.

Dividends

After the closing date, the Board of Directors has proposed that EUR 4.00 (3.00) per share, totalling EUR 27.4 (20.5) million, to be distributed as dividends.

TRANSLATION DIFFERENCES

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

OTHER RESERVES

Other reserves consist of hedge reserve and fair value reserve.

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.

Fair value reserve

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

Other reserves

MEUR	Hedge reserve	Fair value reserve	Total
1 January 2023, gross	0.0	1.2	1.2
Tax impact	-0.0	-	-0.0
1 January 2023, net	**0.0**	**1.2**	**1.2**
Transferred to income statement	-4.2	-	-4.2
Transferred to inventories	-0.1	-	-0.1
Change in fair value	7.9	17.9	25.8
Income taxes related to changes	-0.7	-	-0.7
Balance 31 December 2023	**2.9**	**19.1**	**22.0**
Transferred to income statement	-25.2	-	-25.2
Transferred to inventories	-3.7	-	-3.7
Change in fair value	57.4	-12.2	45.2
Income taxes related to changes	-5.7	-	-5.7
Balance 31 December 2024	**25.7**	**6.8**	**32.5**

17.2 Capital management

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

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

MEUR	31 Dec 2024	31 Dec 2023
Net debt	22.4	41.9
Total equity	690.9	674.8
Gearing ratio	3.2 %	6.2 %
Total equity	690.9	674.8
Liabilities	374.8	370.0
Advance payments	1.0	0.3
Equity ratio	64.9 %	64.6 %

18. NON-CONTROLLING INTERESTS

Oy Karl Fazer Ab have acquired the outstanding non-controlling interests of 30% in Fazer Bakeries B.V. in 2023. The acquisition was partly paid in kind by new preference shares issued by Oy Karl Fazer Ab corresponding to EUR 35.2 million and partly in cash EUR 30.4 million. Thus, there is no information to be presented in relation to non-controlling interests. Fazer Bakeries B.V. was merged into Oy Karl Fazer Ab as of 1 October 2023. The effect that the acquisition had on equity attributable to owners in the parent company in 2023 was the following.

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

19. PROVISIONS

MEUR	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2024	**0.7**	**1.8**	**0.2**	**2.7**
Increase of provisions	2.6	0.3	0.2	3.1
Released during the period	-0.1	-	-0.2	-0.3
Exchange rate differences	-0.0	-0.1	-0.0	-0.1
31 Dec 2024	**3.2**	**2.1**	**0.2**	**5.4**
Current	2.7	-	0.2	2.8
Non-current	0.5	2.1	-	2.6

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

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

20. POST-EMPLOYMENT BENEFITS

Fazer has defined benefit pension plans in Sweden and Finland. The main defined benefit plans on 31 December 2024 in the Group were in Sweden and Finland.

The Swedish defined benefit plan is an ITP 2-plan, which is an unfunded defined benefit plan. The ITP plan benefit formula provides pension benefits as a percentage of salary. Benefits will be reduced proportionally if the expected years of service, within the plan and irrespective of employer, is less than 30 years.

Current ITP 2-plans in Sweden are secured through a pension insurance with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this constitutes a multi-employer defined benefit plan. For the financial year 2024, the group did not have access to such information that would enable the group to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined benefit plan according to IAS 19. Consequently, the ITP 2-plan secured through an insurance with Alecta is recorded as a defined contribution plan. In addition to this, Fazer has an old ITP 2-plan, which is safeguarded with a credit insurance with PRI Pensionsgaranti. There are no actives in this plan.

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

Costs recognized in the income statement

MEUR	2024	2023
Current service cost	-0.0	-0.0
Net interest (+expense / -income)	0.1	0.1
Total	**0.1**	**0.0**

Employee benefit assets and liabilities recognised in the balance sheet

MEUR	31 Dec 2024	31 Dec 2023
Present value of funded obligations	1.0	1.1
Fair value of plan assets	-1.0	-1.2
Present value of unfunded obligations	2.2	2.2
Net defined benefit liability (+) / asset (-)	2.2	2.1
Total defined benefit liability in the balance sheet	2.3	2.2
Total defined benefit liability in the balance sheet	**2.2**	**2.1**

Present value of obligations and fair value of plan assets

MEUR	2024 Present value of obligation	2024 Fair value of plan assets	2024 Net benefit liability/ (asset)	2023 Present value of obligation	2023 Fair value of plan assets	2023 Net benefit liability/ (asset)
Carrying value, 1 January	**3.3**	**-1.2**	**2.1**	**3.6**	**-1.4**	**2.2**
Current service cost	-0.0	-	-0.0	-0.0	-	-0.0
Interest expense (+) / income (-)	0.1	-0.0	0.1	0.1	-0.0	0.1
Total recognized in the income statement	**0.1**	**-0.0**	**0.1**	**0.1**	**-0.0**	**0.0**
Actuarial gain and loss on obligations arising from changes in financial assumptions	0.3	0.0	0.3	-0.2	0.1	-0.1
Actuarial gain and loss on obligations arising from experience adjustments	0.0	-0.0	0.0	0.2	0.0	0.2
Total remeasurement gains (-) and losses (+) included in OCI	**0.4**	**0.0**	**0.4**	**0.0**	**0.1**	**0.1**
Contributions by employers and paid benefits	-0.4	-0.1	-0.5	-0.4	-0.1	-0.5
Paid benefits	-	0.2	0.2	-	0.2	0.2
Settlements	-0.1	0.1	-	-0.1	0.1	-
Exchange rate difference	-0.1	0.0	-0.1	-0.0	0.0	0.0
Carrying value, 31 December	**3.3**	**-1.0**	**2.2**	**3.3**	**-1.2**	**2.1**

The expected contributions to be paid to the defined benefit plans in 2025 are EUR 234 thousand.

DEFINED BENEFIT PLANS TYPICALLY EXPOSE THE GROUP TO THE FOLLOWING ACTUARIAL RISKS:

Actuarial Changes in bond yields

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

Life-expectancy

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

Final salary

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

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

	2024	2023
Discount rate	3.04%	3.72%
Future pension increase	1.44%	1.32%
Salary increase	1%	1%
Inflation	1.82%	1.73%
Duration (years)	10.8	9.9

Analysis of plan assets

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

Sensitivity analysis of defined benefit plan

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

Defined benefit plans assumptions (weighted average) used in calculating benefit obligations and the effect of changes in the assumptions to the defined benefit obligation (in EUR millions)

Assumption	Change	2024	2023
Discount rate	+ 0,50%	-0.2	-0.2
	- 0,50%	0.2	0.2
Inflation	+ 0,50%	0.2	0.2
	- 0,50%	-0.2	-0.2
Mortality	+ 1 year	0.1	0.1
	- 1 year	-0.1	-0.1

21. TRADE AND OTHER NON-INTEREST-BEARING PAYABLES

MEUR	31 Dec 2024	31 Dec 2023
Trade payables	111.4	126.1
Other current liabilities	17.1	17.2
Derivatives	19.3	3.4
Advance payments	1.0	0.3
Accrued expenses and prepaid income	88.6	88.2
Total	**237.3**	**235.2**

The most significant accruals EUR 59.0 million (62.0) relate to personnel such as holiday pay, bonuses, wages and salaries, pensions and other related expenses and EUR 16.2 million (13.0) relate to contract liabilities, such as volume discounts and bonuses.

22. COMMITMENTS AND CONTINGENCIES

MEUR	31 Dec 2024	31 Dec 2023
Raw material purchases	53.0	36.2
Leasing	3.1	3.0
Total	**56.2**	**39.1**

Most of the raw material purchases relate to cocoa purchases in Fazer Confectionery and grain purchases for Fazer Lifestyle Foods mills. The Group has made real estate investments under the Finnish Value Added Tax Act, whose revisions and annual auditable amounts are EUR 12.7 (14.8) million at the end of 2024.

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.

23. RELATED PARTY TRANSACTIONS

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

Fazer has no loan receivables from members of the Board of Directors, President & CEO or members of Fazer Leadership Team, nor from their closely related family members, companies or joint ventures controlled by them and no pledges or other commitments have been given on behalf of them at the end of 2024 and 2023.

On 25 August 2023, an extraordinary general meeting decided upon merger in which Fazer Bakeries B.V. decided to merge into Oy Karl Fazer Ab. In connection to this merger, it was also decided that Oy Karl Fazer Ab would acquire to non-controlling interest in Fazer Bakeries B.V. either through payment in kind by issuing new preference shares or by cash. The issuance of new preference shares, purchase of non-controlling interest and merger was registered on 1 October 2023. Shares in Fazer Bakeries B.V. was acquired form members of the Board of Directors in the parent company for an amount of EUR 6.9 million. There have been no other transactions with members of the Board of Directors during 2024 and no transactions during 2023. There have been no transactions with members from the Fazer Leadership Team during 2024 and 2023.

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 and meeting fees.

EUR thousand	2024	2023
Board renumeration	756	702

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	2024	2023
Paid salary	2,638	2,321
Short-term benefits	1,007	1,161
Long-term benefits	552	1,025
Total salary	4,196	4,507
Fringe Benefits	109	97
Total	**4,305**	**4,604**

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

24. DISCONTINUED OPERATIONS

Fazer announced on 6 March 2022 that it has decided to exit its operations in Russia and classified all assets and liabilities concerning those operations as 'as asset held for sale' and further reported them as discontinued operations. On 29 April 2022 an agreement regarding the sale of the Russian subsidiary OOO Hlebny Dom (former OOO Fazer) was signed. The divestment was completed on 30 April 2022. However, the Group's disposal of the land areas is not considered highly probable due to the current circumstances concerning Russia and is therefore no longer classified under IFRS 5 as 'as assets held for sale'. These items are in 2024 included in continuing operations and therefore the comparatives for the consolidated statement of income and consolidated statement of comprehensive income are re-presented. The comparative information for the consolidated statement of financial position is not re-presented. The re-presentation of 2023 affects the following items.

MEUR	Reported 2023	Re-presented 2023
Depreciation, amortisation and impairment	-204.6	-205.2
Other operating expenses	-292.5	-292.7
Income taxes	-0.7	-0.6
Result for the period for continuing operations	-85.9	-86.5
Total comprehensive result attributable to discontinued operations	-0.8	-

Assets held for sale

MEUR	31 Dec 2024	31 Dec 2023
Assets		
Tangible assets	-	1.8
Other current receivables	-	0.1
Total assets	**-**	**1.9**
Liabilities		
Deferred tax liabilities	-	0.3
Other current payables	-	0.0
Total liabilities	**-**	**0.3**

25. BUSINESS ACQUISITIONS AND DISPOSALS

Fazer did not do any acquisitions or disposals in 2024 or 2023.

26. SUBSIDIARIES

		Group ownership (%)	
	Country	**31 Dec 2024**	**31 Dec 2023**
Owned by the parent			
Fazer Finland Oy	Finland	100	100
Fazer Leipomot Oy	Finland	100	100
Fazer Makeiset Oy	Finland	100	100
Fazer Ravintolat Oy	Finland	100	100
Crestjoy Oy	Finland	100	100
Startplace Oy	Finland	100	100
Owned by other group companies			
Fazer Sweden AB	Sweden	100	100
Fazer Bageri AB	Sweden	100	100
Trensums Food AB	Sweden	100	100
Trensums Prosessing AB	Sweden	100	100
Fazer Norway AS	Norway	100	100
Fazer Denmark ApS	Denmark	100	100
Fazer Poland Sp.z.o.o.	Poland	100	100
Kiinteistö Oy Kanneltori	Finland	100	100
Fazer Eesti OÜ	Estonia	100	100
SIA Fazer Latvija	Latvia	100	100
UAB Fazer Lietuva	Lithuania	100	100
OOO Avangard	Russia	100	100
OOO Startplace Bakeries Invest	Russia	100	100

Changes in Group structure during 2024

- There have been no changes in the group structure during the year

27. EVENTS AFTER THE REPORTING PERIOD

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

PARENT COMPANY STATEMENT OF INCOME

EUR	Note	2024	2023
Net sales	**2.1**	**104,252,482.74**	**101,947,774.30**
Other operating income	2.2	2,282,006.41	3,670,077.99
Materials and services		-	1,352.89
Personnel costs	2.3	-12,501,239.05	-11,272,006.18
Depreciation and impairments	2.4	-6,995,026.99	-7,242,422.03
Other operating costs	2.5	-79,038,311.62	-83,200,737.24
Operating result		**7,999,911.49**	**3,904,039.73**
Financial income and expenses	2.6	-3,681,406.55	-44,733,917.75
Result before appropriations and taxes		**4,318,504.94**	**-40,829,878.02**
Appropriations	2.7	55,793,905.86	30,228,221.36
Income taxes	2.8	-12,472,171.60	-6,631,226.00
Result for the financial year		**47,640,239.20**	**-17,232,882.66**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

EUR	Note	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Intangible assets	3.1	17,415,135.13	21,821,935.48
Tangible assets	3.2	23,706,452.49	24,676,864.24
Investments	3.3	1,128,719,242.02	1,129,314,087.02
Total non-current assets		**1,169,840,829.64**	**1,175,812,886.74**
Current assets			
Long-term receivables	3.4	48,704,834.78	32,769,462.53
Short-term receivables	3.5	129,842,561.16	108,188,314.55
Cash and cash equivalents		77,762,565.09	60,336,834.71
Total current assets		**256,309,961.03**	**201,294,611.79**
TOTAL ASSETS		**1,426,150,790.67**	**1,377,107,498.53**
EQUITY AND LIABILITIES			
Equity	3.6		
Share capital		136,790,500.00	136,790,500.00
Reserve for invested unrestricted equity		140,813,530.44	140,813,530.44
Retained earnings		760,630,885.29	798,382,342.95
Result for the financial year		47,640,239.20	-17,232,882.66
Total equity		**1,085,875,154.93**	**1,058,753,490.73**
Appropriations	3.7	**1,472,188.59**	**1,626,094.45**
Liabilities			
Long-term liabilities	3.8	24,327,116.57	30,041,402.28
Short-term liabilities	3.9	314,476,330.58	286,686,511.07
Total liabilities		**338,803,447.15**	**316,727,913.35**
TOTAL EQUITY AND LIABILITIES		**1,426,150,790.67**	**1,377,107,498.53**

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR thousand	2024	2023
Cash flows from operating activities		
Result before appropriations and taxes	4,319	-40,830
Adjustments		
Depreciations and impairments	6,995	7,242
Financial income and expenses	3,681	44,734
Items included in investing activities	-	-1,580
Non-cash income and expenses	-	6,909
Total adjustments	10,676	57,307
Change in working capital		
Decrease (+) / (-) increase in short term receivables	939	-237
Decrease (-) / (+) increase in short term payables	1,439	-3,428
Total change in working capital	2,378	-3,665
Interests received	4,639	17,028
Interests paid	-7,206	-7,789
Other financial income and expenses, net	-14	-3,369
Income taxes paid	-10,418	4,504
Net cash from operating activities	**4,374**	**23,186**
Cash flows from investing activities		
Purchase of tangible and intangible assets	-1,618	-652
Proceeds from sale of tangible and intangible assets	-	-1,611
Investments in shares of subsidiaries	-	-270,389
Investment in other shares and holdings	-149	-200
Net cash from investing activities	**-1,767**	**-272,852**

EUR thousand	2024	2023
Cash flows from financing activities		
Increase in loan receivables	-49,773	-86,542
Decrease in loan receivables	34,578	336,152
Proceeds from debt	13,400	444,527
Repayment of debt	-20,914	-479,093
Net change of balance in group cash pool	27,936	60,811
Net change of commercial papers	10	-8,936
Group contributions paid and received, net	30,100	-2,600
Dividends paid	-20,519	-20,119
Net cash from financing activities	**14,819**	**244,201**
Net increase (+) decrease (-) in cash and cash equivalents	17,426	-5,466
Cash and cash equivalents at beginning of period	60,337	65,802
Cash and cash equivalents at end of period	**77,763**	**60,337**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

Net sales and revenue recognition

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

Other operating income

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

Pensions

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

Leases

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

Research and development

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

Income taxes

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

Intangible and tangible assets

In the balance sheet, tangible and intangible assets have been booked at their acquisition cost deducted with planned depreciations. Depreciation is started from the month that an asset is available for use. Depreciations according to plan have been calculated as straight-line depreciations based on the economic lifetimes of tangible and intangible assets:

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

Financial assets

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturity of three months or less and low risk of any change in the value. The used part of bank overdrafts is included in borrowings in current liabilities in the statement of financial position.

Financial liabilities

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

Derivates

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

Derivatives are initially recognised at fair value when entering into a derivate contract. Subsequently derivatives are measured at fair value at the end of each reporting period in financial items in the statement of income. The fair value of derivatives is determined using the same principles as described in Fazer Group's accounting policies.

Transactions denominated in foreign currency

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

Cash flow statement

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

2. NOTES TO THE STATEMENT OF INCOME

2.1 Net sales by geographical area

EUR thousand	2024	2023
Finland	80,421	79,154
Other Nordic Countries	21,160	20,166
The Baltics	2,411	2,269
Other	260	359
Total	**104,252**	**101,948**

2.2 Other operating income

EUR thousand	2024	2023
Rental income	1,904	1,846
Sale of fixed assets	-	1,611
Other	378	213
Total	**2,282**	**3,670**

2.3 Personnel expenses

EUR thousand	2024	2023
Salaries and wages	10,307	9,240
Pension expenses	1,530	1,456
Other social security costs	665	577
Total	**12,501**	**11,272**

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

EUR thousand	2024	2023
Members of the Board of Directors	756	702
President & CEO and members of Fazer Leadership	2,985	3,300
Total	**3,740**	**4,002**

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 23 of the consolidated financial statements.

The number of employees on average for the period was 58 (55).

2.4 Depreciations and amortisations

EUR thousand	2024	2023
Immaterial rights	4,334	4,334
Other capitalised expenditure	1,691	1,846
Buildings and structures	710	710
Machinery and equipment	128	220
Other tangible assets	133	133
Total	**6,995**	**7,242**

2.5 Other operating expenses

EUR thousand	2024	2023
Rents and other real estate related	1,163	1,207
ICT	15,431	15,639
Merger loss	-	6,909
Administrative and other	62,444	59,446
Total	**79,038**	**83,201**

Fees to the auditor

EUR thousand	2024	2023
PricewaterhouseCoopers Oy		
Audit fees	180	164
Other services	170	135
Total	**349**	**299**

2.6 Financial income and expenses

EUR thousand	2024	2023
Dividend income		
Other	0	0
Interest income		
Group companies	2,173	13,349
Other	2,663	2,452
Total	**4,836**	**15,801**
Interest expenses		
Group companies	-5,507	-8,516
Other	-1,626	-1,894
Total	**-7,132**	**-10,411**
Write downs and reversals on investments		
Subsidiaries, write downs	-744	-38,540
Commodity derivatives		
Group internal, net	-56,744	-6,840
External parties, net	55,250	-2,714
Total	**-1,494**	**-9,554**
Exchange rate gains and losses, net	1,457	-1,438
Other financing expenses	-604	-593
Financial income and expenses, total	**-3,681**	**-44,734**

2.7 Appropriations

EUR thousand	2024	2023
Depreciation difference (- increase / + decrease)	154	128
Group contributions, received	55,640	92,200
Group contributions, given	-	-62,100
Total	**55,794**	**30,228**

2.8 Income taxes

EUR thousand	2024	2023
Tax on income from operations	-12,108	-6,895
Tax for previous accounting periods	-364	0
Tax at source on foreign income	-	-1
Deferred tax	-	264
Total	**-12,472**	**-6,631**

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.1 Intangible assets

EUR thousand	Immaterial rights	Other capitalised expenditures	Work in progress	Total
Cost 1 Jan 2023	**65,306**	**45,074**	**280**	**110,660**
Additions	-	41	591	632
Reclassifications	-	280	-280	-
Cost 31 Dec 2023	**65,306**	**45,395**	**591**	**111,291**
Additions	-	-	1,618	1,618
Cost 31 Dec 2024	**65,306**	**45,395**	**2,209**	**112,909**
Accumulated amortisations and impairment losses 1 Jan 2023	**-42,758**	**-40,532**	**-**	**-83,289**
Amortisations for the period	-4,334	-1,846	-	-6,180
Accumulated amortisations and impairment losses 31 Dec 2023	**-47,092**	**-42,378**	**-**	**-89,469**
Amortisations for the period	-4,334	-1,691	-	-6,025
Accumulated amortisations and impairment losses 31 Dec 2024	**-51,426**	**-44,068**	**-**	**-95,494**
Carrying amount				
31 December 2024	**13,880**	**1,326**	**2,209**	**17,415**
31 December 2023	18,214	3,017	591	21,822

All work in progress was earlier presented amongst tangible assets but has now been split between intangible and tangible assets. Comparison year has updated.

3.2 Tangible assets

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Work in progress	Total
Cost 1 Jan 2023	**2,730**	**18,455**	**6,777**	**2,223**	**7**	**30,192**
Additions	-	-	-	18	2	20
Disposals	-94	-	-	-	-	-94
Cost 31 Dec 2023	**2,636**	**18,455**	**6,777**	**2,241**	**8**	**30,117**
Reclassifications	-	-	8	-	-8	-0
Cost 31 Dec 2024	**2,636**	**18,455**	**6,786**	**2,241**	**-**	**30,117**
Revaluations 31 Dec 2023	**7,350**					**7,350**
Revaluations 31 Dec 2024	**7,350**					**7,350**
Accumulated depreciation and impairment losses 1 Jan 2023	**-**	**-4,354**	**-6,055**	**-1,319**	**-**	**-11,728**
Depreciations for the period	-	-710	-220	-133	-	-1,062
Accumulated depreciation and impairment losses 31 Dec 2023	**-**	**-5,065**	**-6,275**	**-1,451**	**-**	**-12,790**
Depreciations for the period	-	-710	-128	-133	-	-970
Accumulated depreciation and impairment losses 31 Dec 2024	**-**	**-5,775**	**-6,402**	**-1,584**	**-**	**-13,761**
Carrying amount						
31 December 2024	**9,986**	**12,680**	**384**	**657**	**-**	**23,706**
31 December 2023	9,986	13,390	503	790	8	24,677

All work in progress was earlier presented amongst tangible assets but has now been split between intangible and tangible assets. Comparison year has updated.

3.3 Investments

EUR thousand	Shares in subsidiaries	Other shares and holdings	Total
Cost 1 Jan 2023	**1,077,856**	**10,614**	**1,088,469**
Additions	305,620	200	305,819
Change through merger	-226,435	-	-
Impairments	-38,540	-	-
Cost Dec 2023	**1,118,501**	**10,813**	**1,129,314**
Additions	-	149	149
Impairments	-744	-	-744
Cost Dec 2024	**1,117,756**	**10,963**	**1,128,719**

Information on Oy Karl Fazer Ab's ownership in other Group companies as of 31 December 2024 can be found in note 26 in the consolidated financial statements.

3.4 Long-term receivables

EUR thousand	31 Dec 2024	31 Dec 2023
Loan receivables from Group companies	48,705	32,769
Long term receivables total	**48,705**	**32,769**

3.5 Short-term receivables

EUR thousand	31 Dec 2024	31 Dec 2023
Trade receivables	14	76
Receivables from Group companies	75,163	96,822
Other receivables	1,491	927
Accruals	53,174	10,364
Total	**129,843**	**108,188**
Receivables from Group companies		
Trade receivables	54	1,483
Loan receivables	1,037	1,744
Group contribution	55,640	92,200
Other receivables	627	339
Accruals	17,806	1,056
Total	**75,163**	**96,822**
Material items in accruals		
Accrued income taxes	-	977
Derivatives	50,319	6,579
Other	2,855	2,807
Total	**53,174**	**10,364**

3.6 Equity

EUR thousand	31 Dec 2024	31 Dec 2023
Restricted equity		
Share capital 1 Jan	136,791	134,125
Share issue	-	2,666
Share capital 31 Dec	**136,791**	**136,791**
Restricted equity total	**136,791**	**136,791**
Non-restricted equity		
Reserve for invested unrestricted equity 1 Jan	140,814	108,249
Share issue	-	32,564
Reserve for invested unrestricted equity 31 Dec	**140,814**	**140,814**
Retained earnings 1 Jan	781,149	818,501
Payment of dividends	-20,519	-20,119
Retained earnings 31 Dec	**760,631**	**798,382**
Result for the period	47,640	-17,233
Non-restricted equity total	**949,085**	**921,963**
Total equity	**1,085,875**	**1,058,753**

Share capital by classes of shares (pcs)	31 Dec 2024	31 Dec 2023
Preference shares	4,474,325	4,474,325
Ordinary shares	2,365,200	2,365,200
Total	**6,839,525**	**6,839,525**

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

Preference shares carry a preferential right to dividends, amounting to at least 6% of the share's nominal amount, ahead of ordinary shares in connection to the yearly distribution of the dividends. In the annual general meeting, each preference share carries one vote and each ordinary share carries ten votes. The nominal value of the shares is 20 euro.

3.7 Appropriations

EUR thousand	31 Dec 2024	31 Dec 2023
Accumulated depreciation difference	1,472	1,626
- unrecognised deferred tax liability	294	325

3.8 Long-term liabilities

EUR thousand	31 Dec 2024	31 Dec 2023
Deferred tax liability	1,470	1,470
Loans from financial institutions	22,857	28,571
Long-term liabilities total	**24,327**	**30,041**

Deferred tax liabilities arise from the following

EUR thousand	31 Dec 2024	31 Dec 2023
Revaluations	1,470	1,470
Total	**1,470**	**1,470**

There are no loans with a maturity exceeding 5 years after the end of 31 December 2024.

3.9 Short-term liabilities

EUR thousand	31 Dec 2024	31 Dec 2023
Loans from financial institutions	5,714	5,714
Commercial papers	14,957	14,946
Liabilities to group companies	262,867	252,162
Trade payables	2,755	3,004
Other liabilities	745	957
Accruals	27,438	9,903
Total	**314,476**	**286,687**
Liabilities to Group companies		
Other interest bearing liabilities	211,706	185,281
Trade payables	1,317	134
Group contributions	-	62,100
Derivatives	49,324	4,131
Accrued liabilities	521	515
Total	**262,867**	**252,162**
Material items in accruals		
Accrued tax liability	1,077	-
Wages, salaries and social expenses	5,008	5,553
Interests	102	99
Derivatives	19,306	3,413
Other	1,946	838
Total	**27,438**	**9,903**

4. OTHER NOTES

4.1 Guarantees

ON BEHALF OF OTHER GROUP COMPANIES

EUR thousand	31 Dec 2024	31 Dec 2023
Rental guarantees	8,345	4,790
Other	9,132	10,986
Total	**17,478**	**15,776**

4.2 Leasing and rental liabilities

EUR thousand	31 Dec 2024	31 Dec 2023
Due for payment the following financial period	1,607	1,560
Due for payment later	1,480	1,127
Total	**3,087**	**2,687**

4.3 Other contingent liabilities

The company has made investments in real estate for which, in accordance with local Value Added Tax Act, there is a responsibility to repay VAT. The auditable amount on 31 December 2024 is EUR 1,089 (1,547) thousand.

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 13.1 - 13.3 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 13.2 to the consolidated financial statements). The fair value of all derivatives are measured through profit or loss and they are included in financial income and expenses. The fair value of the derivatives equals their carrying amount at year-end.

Fair values of derivatives	**31 Dec 2024**			**31 Dec 2023**		
EUR thousand	**Pos.**	**Neg.**	**Net**	**Pos.**	**Neg.**	**Net**
Currency derivatives						
External	1,641	-81	1,561	436	-737	-301
With entities in the same group	15	-1,439	-1,424	61	-325	-264
Commodity derivatives						
External	48,702	-19,249	29,453	5,942	-2,475	3,467
With entities in the same group	16,804	-47,924	-31,120	168	-3,808	-3,640
Total	**67,162**	**-68,692**	**-1,530**	**6,607**	**-7,345**	**-738**

Nominal values of derivatives		
EUR thousand	**31 Dec 2024**	**31 Dec 2023**
Currency forward contracts		
External	154,181	123,091
With entities in the same group	69,300	36,450
Commodity forwards		
External	115,461	57,065
With entities in the same group	104,011	43,052

SIGNATURES OF THE BOARD OF DIRECTORS REPORT AND ANNUAL ACCOUNTS

Vantaa, 14th February 2025

Casper von Koskull
Chair

Harry Brouwer

Elisabeth Drejer von Sydow

Ketil Eriksen

Jan Fazer

Johan Linder

Juhani Mäkinen

Katharina Stenholm

Laura Tarkka

Christoph Vitzthum
President and CEO

AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, 14th February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant

fazergroup.com