



FAZER GROUP JANUARY–DECEMBER 2022: GOOD PERFORMANCE IN A TURBULENT ENVIRONMENT

Financial information in this press release is derived from Fazer Group's consolidated financial statements which are prepared in accordance with the International Financial Reporting Standards (IFRS). The financial information in this release is unaudited. The 2022 financial statements will be published in week 12.

In the beginning of March 2022, Fazer announced its intention to exit operations in Russia. The sale of Fazer's Russian business operations was completed in April 2022. As a result, the Russian operations are classified as discontinued operations in 2022 and presented as a single line item in the consolidated income statement. Comparative period has been re-presented accordingly. Figures in brackets, unless otherwise stated, refer to the same period previous year.

JANUARY–DECEMBER 2022 HIGHLIGHTS

- Net sales increased by 13% to EUR 1,122.2 million (991.9).
- Comparable EBITDA decreased by 10% to EUR 101.4 million (112.4). The comparable EBITDA margin was 9.0% (11.3%). EBITDA increased by 16% to EUR 106.3 million (91.6).
- Items affecting comparability in EBITDA totalled EUR 4.9 million (-20.8) and were mainly related to the capital gains from real estate divestments. In 2021, items affecting comparability in EBITDA were exceptionally high mainly driven by transformation programmes in Fazer Bakery Sweden and Fazer Lifestyle Foods.
- Comparable operating profit decreased by 35% to EUR 34.4 million (53.0), which represents 3.1% of net sales (5.3%). Operating profit increased by 29% to EUR 39.3 million (30.6).
- Items affecting comparability in EBIT totalled EUR 4.9 million (-22.4).
- Cash flow from operating activities totalled EUR 72.7 million (77.5).

FAZER GROUP'S KEY FIGURES

| MEUR, or as indicated | 1–12/2022 | 1–12/2021 | Change |
|---|-----------|-----------|--------|
| Continuing operations | | | |
| Net sales | 1,122.2 | 991.9 | 13% |
| Comparable EBITDA | 101.4 | 112.4 | -10% |
| Comparable EBITDA margin | 9.0% | 11.3% | |
| Items affecting comparability in EBITDA | 4.9 | -20.8 | 123% |
| EBITDA | 106.3 | 91.6 | 16% |
| EBITDA margin | 9.5% | 9.2% | |
| Comparable operating profit | 34.4 | 53.0 | -35% |
| Comparable operating profit margin | 3.1% | 5.3% | |
| Items affecting comparability in operating profit | 4.9 | -22.4 | 122% |
| Operating profit | 39.3 | 30.6 | 29% |
| Operating profit margin | 3.5% | 3.1% | |
| Result before taxes | 38.2 | 36.2 | 6% |
| Result for the period, continued operations | 34.2 | 24.5 | 40% |
| Result for the period, discontinued operations | -18.0 | 7.6 | -236% |
| Result for the period | 16.2 | 32.0 | -49% |
| Cash flow from operating activities | 72.7 | 77.5 | -6% |
| Capital expenditure | 59.9 | 82.1 | -27% |
| Net debt | 78.3 | -95.2 | -182% |

| | | | |
|--------------------------------------|-------|--------|----|
| Gearing ratio, % | 9.9% | -10.9% | |
| Return on equity (ROE), % | 1.9% | 3.5% | |
| Equity ratio, % | 65.4% | 68.3% | |
| Return on capital employed (ROCE), % | 4.0% | 3.0% | |
| Personnel, average* | 4,990 | 4,891 | 2% |
| Personnel, end of period* | 4,875 | 4,711 | 3% |

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

FAZER GROUP'S PRESIDENT AND CEO CHRISTOPH VITZTHUM:

Fazer performed well in 2022 in an operating environment reflected by soaring inflation, global supply chain challenges, and uncertainty regarding the war in Ukraine. Throughout the year, we cooperated closely with all key stakeholders, suppliers, and customers to ensure security of supply, business continuity and the profitability of our operations and the whole value chain. Our net sales increased by 13%, mainly driven by price increases and non-organic growth from the Trensums Food acquisition. Net sales in all three business areas increased, and overall performance remained solid. We were able to absorb the biggest cost inflation impacts with price increases, and although increases were realised with a delay, we managed to defend our profitability. I would like to thank all our employees and stakeholders for the work well done under these extremely challenging conditions. I am encouraged by the agility and flexibility of our people, and confident that we can continue to capture positive opportunities also in 2023.

Our decision to end all operations in Russia and to exit the country was a major event for Fazer in 2022. We managed to sell the Russian subsidiary quickly and were among the first western companies to exit the market. The divestment heavily impacted the Group's result for 2022 which decreased by 49%. Russia's attack on Ukraine also triggered an energy crisis of magnitudes not seen in decades, causing problems especially in the natural gas and electricity markets. Consequently, the energy markets were extremely volatile and unpredictable, and peaking electricity prices and availability issues severely impacted all our businesses throughout the year. As the majority of thermal energy used in our bakeries in Finland and the Baltics is provided by natural gas, the issue was particularly challenging for our bakery operations. We reacted swiftly and invested in oil-fuelled back-up equipment for most bakery lines in order to mitigate the risk of energy supply disruptions. The need for the back-up equipment was, however, minimal during the year, and I am very pleased that we were able to fulfil all our customer commitments uninterruptedly and that our delivery accuracy maintained the very high standard our customers are used to. Despite the highly challenging environment, we continued to develop our businesses and to invest in the company, reaching many milestones during the year. The project to build a state-of-the-art confectionery factory in Finland proceeded, and in May 2022, we signed a cooperation agreement with the city of Lahti. If realised, this investment is the biggest in company, and also Finnish food industry history. In Fazer Bakery, we responded to the increased demand for oat products by expanding our capacity with an investment in a state-of-the-art oat bread production line at our bakery in Vantaa, Finland. In Fazer Lifestyle Foods, we finalised our acquisition of the Swedish plant-based drink producer Trensums Food as well as the investment to increase our oat capacity in Korja, Finland. Our xylitol factory in Lahti started

its commercial operations during the year. In 2022, we opened 13 new shop-in-shop bakeries in Finland, and 3 new shop-in-shops in Estonia and started a pilot in Sweden. In Fazer Retail, several Fazer Cafés were opened in Finland and Gateau bakery shops in Sweden.

During the year, the source of consumer concerns quickly shifted from the pandemic to the invasion of Ukraine and rapidly rising prices, and households are now facing increasing financial pressure. There are clear signs of changes in consumer behaviour, with increased price-consciousness at its core. With the strength of our brand, investments in our business, and our proven ability to respond to rapid change, I believe we are well equipped to respond to changing consumer demands, and at the same time, to remain resilient to the current challenges. We expect the market environment to remain challenging for at least the first half of 2023. Uncertainty remains high in the commodity and energy markets and general visibility is low. In 2023, we will continue to focus on efficiency and agility without losing sight on our long-term strategic priorities.

OUTLOOK FOR 2023

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

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Fazer Group

Fazer, The Food Experience Company, enables people to enjoy the best moments of their day. Our mission, Food with a purpose, builds on our strong 130-year heritage, consumer first approach and innovations to create the sustainable food solutions of the future. With our dedicated team of approximately 5,000 professionals (FTEs), we focus on fast-moving consumer goods and our direct-to-consumer business in Northern Europe, and beyond with exports to some 40 different countries. Fazer's operations comply with its Code of Conduct that is based on the Group's values and the UN Global Compact. In 2022, Fazer Group had net sales of 1.1 billion euros.

Northern Magic. Made Real.

EXIT FROM RUSSIA

In the beginning of March 2022, Fazer announced its intention to exit operations in Russia. The sale of Fazer's Russian business operations was completed in April 2022. The operations were part of the Fazer Bakery business area and included bakeries in St. Petersburg and Moscow and employed approximately 2,300 employees. In 2021, net sales from Russia (including also export sales) totalled approximately EUR 157 million, accounting for 13% of total net sales for Fazer Group. In January-April 2022, the impact of the Russian business was EUR 65 million in net sales.

FAZER GROUP FINANCIAL DEVELOPMENT IN 2022 (CONTINUING OPERATIONS)

Net sales and profitability

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

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

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

Fazer Group's comparable EBITDA decreased by 10% and totalled EUR 101.4 million (112.4) or 9.0% (11.3%) of net sales. All businesses were burdened by increasing raw material and packaging material prices, energy, and transportation costs as well as salary inflation. EBITDA increased by 16% compared to the previous year and totalled EUR 106.3 million (91.6) or 9.5% (9.2%) of net sales. EBITDA included items affecting comparability

totalling EUR 4.9 million (-20.8), mainly relating to capital gains from real estate divestments. In 2021, items affecting comparability were exceptionally high mainly relating to the implementation of the new operating model in Fazer Bakery Sweden and reorganisations in Fazer Lifestyle Foods. In 2022, the Group's comparable operating profit decreased by 35% and totalled EUR 34.4 million (53.0), or 3.1% (5.3%) of net sales. The Group's operating profit increased 29% and totalled EUR 39.3 million (30.6), representing 3.5% (3.1%) of net sales.

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

Cash flow and financial position

Fazer Group's cash flow from operating activities amounted to EUR 72.7 million (77.5). Cash and cash equivalents amounted to EUR 67.1 million (226.5), the biggest impact deriving from the acquisition of Trensums Food.

At the end of December 2022, net debt totalled to EUR 78.3 million (-95.2). The increase is mainly related to the acquisition of Trensums Food. The gearing ratio was 9.9% (-10.9%). At the end of December, the consolidated balance sheet amounted to EUR 1,209.9 million (1,278.2). The Group's equity ratio was 65.4% (68.3%).

Capital expenditure

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

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

Employees

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

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

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

framework, and defined diversity & inclusion targets and roadmap focusing on awareness building, among others.

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

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

Research and development

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

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

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

BUSINESS AREA DEVELOPMENT IN 2022

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

Fazer Bakery: Good performance in a challenging environment

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

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

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

The bakery market in Finland grew in value, driven by price increases, whereas volumes decreased slightly. Demand in Fazer Bakery Finland was good, and Fazer was able to maintain its leading position in the market. During the year, Fazer made several successful novelty launches, and among them white portion bread and dark Reissummies were well received. The Swedish bakery market development was similar to the Finnish, with even stronger growth in value, and a similar drop in volume. Fazer's new operating model in Fazer Bakery Sweden was proven successful, with positive performance as a result. In Sweden, demand for bread loaves and toasts grew, in particular thanks to the Skogaholm brand, and the Havrebröd novelty was successfully launched in the autumn. The Baltic market was particularly severely hit by the inflationary environment with inflation exceeding 20%. Fazer Bakery Baltics was able to successfully negotiate prices and partially mitigate the impact of the high cost increases.

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

At the end of December 2022, Fazer Bakery employed 2,254 (2,350) people.

Fazer Confectionery: Good performance

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

All Fazer Confectionery's main markets grew compared to the corresponding period 2021. Travel Retail and Fazer Retail recovered from the low COVID-19 levels and net sales

increased. Growth in Fazer Retail was also related to the opening of three Fazer Cafés in Finland and two Gateau openings in Sweden in 2022.

Fazer's project to build a state-of-the-art confectionery factory in Finland proceeded during the year. Preceding the actual investment decision, the project is currently in the basic design phase. As part of this phase, Fazer signed a cooperation agreement with the city of Lahti in May 2022, according to which, the city reserves a 34-hectare area for Fazer in the industrial area of Pippo-Kujala. The next phase in the design project is to model the factory building and the placement of the production in the factory. The aim of the current basic design phase is to create a factory plan, which would serve as a basis for making the potential investment decision during 2023. If the plans materialise, operations would transfer from the current sites in Vantaa and Lappeenranta to the new factory gradually during the years 2025-2027.

At the end of December 2022, Fazer Confectionery employed 1,665 (1,605) people.

Fazer Lifestyle Foods: Strong net sales development

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

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

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

At the end of December 2022, Fazer Lifestyle Foods employed 691 (510) people.

GROUP STRATEGY IN 2022

In 2022, Fazer tested the Group strategy against prevailing circumstances, due to the radical changes in the market environment as well as the structural changes in the business. The conclusion of this thorough analysis confirmed the Group's strategic path and roadmaps and the Group strategy, therefore, remained intact. The challenging market environment and consumer concerns, however, required short-term focus and agile actions such as an increased focus on portfolio and pricing, securing energy availability and review of geographical markets. At the same time, Fazer also continued to progress in the execution of its strategy.

Strategic development in 2022

Fazer Group

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

Fazer Bakery

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

Fazer Confectionery

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

Fazer Lifestyle Foods

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

Sustainability

Fazer develops food as a solution for a more sustainable planet and business. Fazer acknowledges the substantial impact that the way food is grown, produced, and consumed, has on people's well-being, on the environment, and on society. The foundation for Fazer's sustainability is laid in the Group's ambitious sustainability agenda, focusing on four sustainability areas: Climate & Circularity, Sustainable Products & Innovations, Sustainable Sourcing and People & Well-being.

In the area of Climate & Circularity, Fazer's emissions baseline was recalculated due to the significant changes in operations relating to Fazer's divestment of its Russian business operations and the acquisition of Trensums Food during the year. As a result, Fazer's climate targets were revalidated and approved by the Science Based Targets initiative (SBTi) and the company's targets remain unchanged. As part of Fazer's energy framework update, conducted during the year, Fazer made a decision to invest in solar panels in 2023 and started looking into bakery line electrification opportunities in Fazer Bakery Finland.

In Sustainable Products & Innovations, Fazer launched several new plant-based products and innovations. The share of plant-based in offering increased from 47% to 48% (2020 baseline 45%). During the year, Fazer's sustainable packaging vision was launched. The vision consists of three areas: reducing the amount of packaging materials used, improving the 3R's – recyclability, renewability, and reusability –, and developing entirely new types of ecological packaging solutions by cooperating with external partners.

In 2022, Fazer continued to work actively with Sustainable Sourcing, and several milestones were reached. During the year, Fazer updated its Cocoa Vision to further secure that cocoa is sourced, produced, and managed responsibly throughout the supply chain. The vision includes monitoring and third-party verification of the economic, social, and environmental aspects described in the Fazer Cocoa standard. Fazer's Cocoa Farmer Programmes in Ecuador, Nigeria, and Ivory Coast were verified by a third-party, SCS Global Services confirming that the farms maintain good sourcing practices and that the farmer programmes in all three countries are operated in a professional manner. In 2022, 41% of Fazer's cocoa was certified, while 59% came from farmer programmes.

In 2022, Fazer conducted a human rights impact assessment on most material topics to Fazer's operations. The assessment confirmed that global raw material supply chains, including Fazer's own, involve high risks relating to child labour, modern slavery, occupational health and safety, and living wages. To prevent risks related to child labour, the company established a Child Labour Monitoring and Remediation System (CLMRS), a Fazer

way of managing the identification, assessment, and prevention of child labour in its supply chain. Fazer also continued to actively work with farmers in accordance with its Grain Vision.

By the end of December, 86% of Fazer's suppliers, calculated as share of external spend, had signed the Group's updated Supplier Code of Conduct.

In the area of People & well-being, Fazer's diversity & inclusion vision and roadmap were defined in 2022. During the year, awareness building through management trainings started, to create a basis for dialogue and to encourage practices that promote an inclusive environment. The 2022 employee engagement survey showed positive development, with improving inclusion scores.

More information about Fazer's sustainability work can be found on [Fazergroup.com](https://fazergroup.com) and in the 2022 annual review and financial statements, which will be published in week 12.

GROUP MANAGEMENT AND CHANGES IN GROUP MANAGEMENT

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

At the end of December 2022, the Fazer Leadership Team comprised Christoph Vitzthum (President and CEO, Chairman), Aaron Barsness (CMO, EVP), Jenni Gallagher (EVP, People) Jouni Grönroos (CFO & Deputy CEO), Markus Hellström (MD, Fazer Confectionery until the end of December), Sebastian Jägerhorn (EVP, Legal & Compliance), Joséphine Mickwitz (EVP, Communications & Sustainability), Lara Saulo (MD, Fazer Bakery until the end of December and MD, Fazer Confectionery from January 2023), and Krister Zackari (MD, Fazer Lifestyle Foods).

RISKS AND BUSINESS UNCERTAINTIES

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

Price and availability of raw materials and commodities

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

In order to understand the market development of key raw materials, Fazer continuously improves cooperation with selected existing suppliers and seeks competitive alternate

suppliers to mitigate risk. New alternate suppliers improve price competition, increase production capacity, when necessary, and can lower sourcing risk. Procurement at Fazer Group strives to proactively mitigate risks associated with pricing, quality, capacity, availability and other requirements, and to understand geographical dependencies. Raw material prices are hedged according to approved policies. In 2022, all business areas were strongly challenged by inflationary pressure in key raw material prices, energy, and transportation costs. Fazer initiated actions to mitigate the negative effects of this. However, the rise in input costs were not fully absorbed and price increases were unavoidable.

Reputation and brand

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

Furthermore, Fazer's ability to maintain and improve its brand image depends on its ability to anticipate change and adapt to a rapidly changing marketing and media environment, including the increasing reliance on established and emerging social media and online platforms.

Energy

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

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

Confectionery factory investment

Fazer's strategic objective is to strengthen its position as Finland's leading fast-moving consumer goods company. Growth will be accelerated by means of consumer-oriented innovations, on-trend categories and foodtech. As part of the strategy implementation, Fazer plans to invest in a new world-class confectionery factory in Lahti, Finland, which would meet future consumer expectations, enhance working conditions, and improve energy efficiency. If the plan is realised, the new factory would replace the existing confectionery factories in Vantaa and Lappeenranta. A significant postponement of the investment decision, and consequent construction, could have a negative impact on Fazer's competitiveness in the future. In order to reduce the risk, Fazer is in the process of preparing a detailed project plan with risk assessment and risk mitigating action plans. In order to mitigate the risk of significantly higher than planned investment costs, efficiency initiatives and continuous

savings potential monitoring is in place. The investment decision is planned to take place during 2023.

Workforce and talent management

The implementation of Fazer's strategy and strategic transformation requires new kinds of skills and competences. To secure competitiveness and profitable growth, as well as to improve operational efficiency, it is essential to attract and retain personnel with the right skills and competences. There is a risk that the food sector does not attract the most competent people. Fazer has done very well in employer surveys in Finland and has succeeded well in attracting talented people. In other countries, such as Sweden and the Baltic countries, strong focus is put on employer branding and other means to make the company better known as an employer.

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

Consumer demand, products, and innovations

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

Sustainability

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

Changes in regulation and taxation

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

Changes in the competitive landscape

The food industry is highly competitive. Fazer's principal competitors are food and snacking companies operating in multiple geographic areas and numerous local and regional companies. Failure to effectively respond to challenges from competitors could adversely affect Fazer's business. Major competitor consolidation could change the market dynamics

and potentially also Fazer's market position. The risk is managed on the Group and business area level through continuous monitoring of the competition. Fazer aims to respond to competition through its superior portfolio of branded products, active management of customer relationships and continuous development of its product portfolio to further differentiate from the competitors and to be competitive. To understand and meet consumer needs and expectations, Fazer invests significantly in active consumer insight work and develops its product portfolio accordingly.

Pandemic

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

Cyber security

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

Hazard risks

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

Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity and refinancing risks, and counterparty risks. The objectives and principles within which the financial risks are managed in Fazer as well as the principles that govern the commodity specific risk management are 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, published week 12.

EVENTS AFTER THE REVIEW PERIOD

In January 2023, Fazer announced the initiation of change negotiations affecting 226 employees in its Korja factory. Fazer Lifestyle Foods focuses strongly on its core business and the execution of its plant-based strategy and, therefore, considers changes in production at the Korja factory. If the plans are realised, the Korja factory will in the future focus solely on the production of oat drinks and other oat-based products, which would lead to the discontinuation of the dairy production. The company estimates that the change negotiations could lead to the termination of a maximum of 95 permanent employment.

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

OUTLOOK FOR 2023

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

2022 ANNUAL AND FINANCIAL REVIEWS

Fazer will publish its 2022 Annual and Financial Reviews, which contain the report by the Board of Directors, Financial Statements, Non-financial Report, Corporate Governance and Remuneration Information during week 12 on the company website at fazergroup.com.