



# Fazer Group's Annual Review 2019



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# Year in brief

The acquisition of Kaslink, an expert in high-quality oat-based food products, further enhanced Fazer Lifestyle Foods offering of sustainable, plant-based products, supporting the growth of the business area.

We started our 50-million-euro investment in the construction of a groundbreaking xylitol factory in Lahti, Finland. The new facility will use side streams from oat milling to produce xylitol, and production waste will be used as fuel in a bio-heating plant that will provide energy for Fazer's entire factory area.

Our major strategic decision to invest in doubling our oat milling capacity in Lahti, Finland and Lidköping, Sweden takes us closer to our goal of becoming the leading plant-based player in Northern Europe.

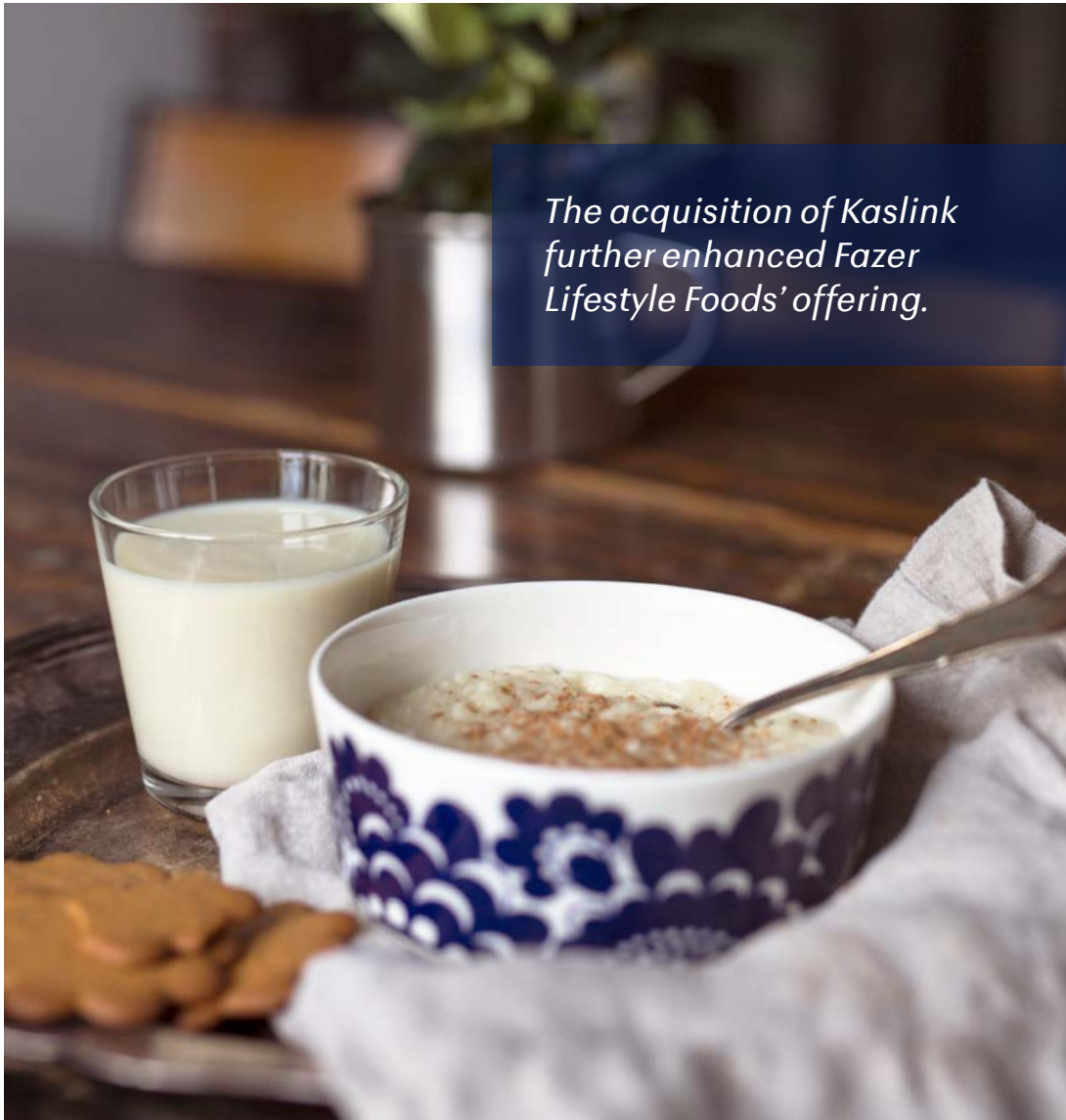
We focused strongly on developing our 'consumer first' approach. Answering consumer needs within indulgence to grow and internationalise our confectionery business proved successful. We developed our Northern Magic. Made Real. brand positioning further and implemented it throughout the Group.

The sale of Fazer Food Services was completed in January 2020. Fazer Food Services is reported as a discontinued operation throughout the Annual Review with the exception of sustainability reporting which partly includes Fazer Food Services.

Fazer Group's net sales in continuing operations were 1,097.0 M€ in 2019, showing a slight increase from the previous year. Fazer Bakery reached net sales of 565.2 M€, Fazer Confectionery of 353.1 M€, Fazer Lifestyle Foods of 158.1 M€ and Fazer Retail of 47.1 M€.

The net sales of discontinued operations, Fazer Food Services, were 597.3 M€.

**We are The Food Experience Company. We decided to sell Fazer Food Services in order to focus on our development as a fast-moving consumer goods company. We took a more progressive role in the market and innovated inspiring food experiences.**



*The acquisition of Kaslink further enhanced Fazer Lifestyle Foods' offering.*

# A company on the move



In 2019, Fazer continued executing its strategy and informed about the sale of Fazer Food Services in order to focus on its fast-moving consumer goods (FMCG) and direct-to-consumer businesses. Financially, the year was satisfactory. Net sales for continuing operations increased by 7% and the operating profit was close to the previous year's level.

Trends are heavily shaping the world of food. Consumer lifestyles are changing at an increasingly rapid pace, and disruptive trends challenge companies. Convenience is becoming more important at the same time as companies are required to act sustainably. Consumers expect companies not only to be good at what they do, but also to do good to others - to society in general and to the environment. To be able to keep the pace in the race, we need to understand how consumer behaviour is evolving and to take action.

Fazer sold Fazer Food Services to Compass Group in January 2020, aiming to focus its efforts and to streamline its business portfolio. I wish all our former Fazer Food Services employees all the best in the future. I am convinced that employees and the business will continue to thrive and develop as part of Compass Group.

The funds from the sale of Fazer Food Services will be invested in Fazer Group's FMCG businesses with the objectives of strengthening our position as the leading FMCG brand in Finland and our position in the Northern

Europe and beyond. We will grow in on-trend categories, such as non-dairy and plant-based meals, and invest in the development and renewal of our product and business portfolio, based on deep consumer insight and research. We will become more integrated and more agile, and focus on value creation through portfolio choices, growth and operational excellence. We will place the consumer first in all our operations and leverage on our renewed brand positioning – Northern Magic. Made Real. – to be meaningfully different in the eyes of consumers.

Fazer is The Food Experience Company. We build on our achievements and are supported by our company-wide sustainability approach. Sustainability is an integral part of Fazer's strategy. Fazer sees food as a solution. How we grow, produce and consume food has a significant impact on the environment, on society and on our well-being. Fazer is committed to continuing the innovation of sustainable solutions to benefit people and the planet. Our sustainability Core goals by 2030 – 50% less emissions, 50% less food waste, 100% sustainably sourced and more plant-based – guide us in our daily work.

Sustainability is closely interlinked with foodtech. Foodtech makes the food system more productive, affordable, sustainable and healthy. Developing Fazer's position in foodtech and our ability to commercialise significant innovations will, in the future, play an even more important role in executing our ambitious growth strategy. We will build on our current strengths in research, development and innovation and on agile collaboration with universities and research networks to innovate, develop and leverage the full potential of new food solutions.

In the beginning of 2019, Fazer started the construction of a xylitol manufacturing facility next to its oat mill in Lahti, Finland. This investment, one of Fazer's most significant investments in years, is a great example of foodtech aligned with our sustainability goals. The facility will use patented state-of-the-art technology to make xylitol from oat hulls that are a side stream of the mill's production process. Our strategic partnership with the Finnish start-up company Solar Foods is a good example of co-innovation. The aim of the partnership is to jointly research, develop and commercialise a new protein ingredient developed by Solar Foods. To reduce the impacts of food on the climate, we all need to adopt new ways of thinking and operating. This requires fearless creativity. Creativity that we shall not limit to technology but that may take many shapes and forms: giving up single-use plastic utensils, including cutlery, straws and cups, in our cafés and bakery shops,

reducing the amount of plastic in our bread packages, or the sugar confectionery side stream concept Makea Moka where consumers can buy less-than-perfectly shaped or coloured sugar confectionery as a way to tackle food waste are a few examples of this.

Plant-based products and solutions are an important strategic growth area for Fazer. The acquisition of Kaslink, an expert in oat-based products, is another example of the future direction of the Group. Kaslink became part of the Fazer Lifestyle Foods business area in August 2019.

The 30-million-euro investment in our oat milling business published in November 2019 also exemplifies the rapidly growing global demand for oats. The investment will double our oat milling capacity both in Lahti, Finland and in Lidköping, Sweden.

2019 was a year of many significant developments and changes at Fazer and we look forward to inspiring opportunities in the future, even if growth has slowed down in many markets.



In Fazer Bakery, both the Baltic and the Finnish units showed strong development. The success of in-store bakeries in Finland continued with new bakeries being opened and new products added to the offering. The shop-in-shop concept was also expanded to the Baltics. The market situation in Sweden and Russia is still challenging. In Russia, Fazer is executing an ambitious development plan to enhance the performance of our bakery business. To bring decision-making closer to the customers, the Fazer Bakery Business Area organisation was simplified in October.

In Fazer Confectionery, all units delivered good results, and successful launches secured market share growth. International growth was supported by strong development in Denmark, successful sales initiatives in Asia and the launch of Fazer Nordi premium chocolates in the US.

In Fazer Lifestyle Foods, development was positive in Finland and Denmark. The competitive environment continues to be tough, especially in Sweden. The non-dairy market developed favourably, as did the market for breakfast products. Efforts were put into energising the Froosh brand.

Fazer Retail is facing a challenging market situation, especially in Sweden, but the renewed store concept and successful new openings create interesting opportunities. Fazer Retail was able to grow the café business in Finland. The year was successful for Fazer Experience with, once again, a new record number of visitors.

Despite some degree of uncertainty created by the agreed sale, all Fazer Food Services' units performed well. Fazer Food Services Finland achieved an all time high result in 2019.

Fazer is on the move and our journey will continue. Our transformation would not be possible without the commitment, skill and determination of all our great people. Together, we will continuously develop the company on its successful path.

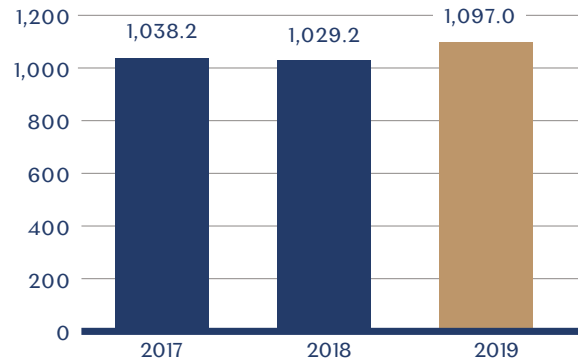
Since February 2020, our daily lives have been changed rapidly by a pandemic caused by the Coronavirus. This will have a major impact on Fazer's operations. Our mission is to provide Food with a purpose. Throughout our history, we have been a part of consumers' daily lives, making a good day perfect and bringing joy and comfort to the bad ones. This is what we continue to do now also under these demanding circumstances.

And last, but by no means least, I would like to thank all our partners and stakeholders for their engagement and support in 2019.

**Christoph Vitzthum**

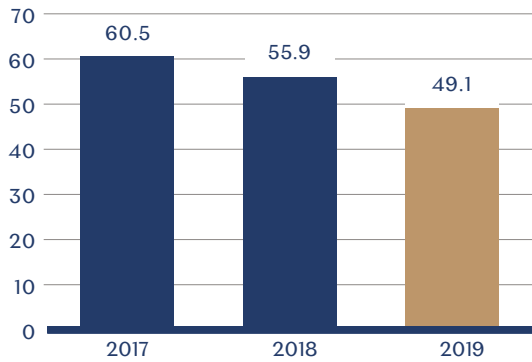
Fazer Group  
President & CEO

# Key figures 2019, continuing operations



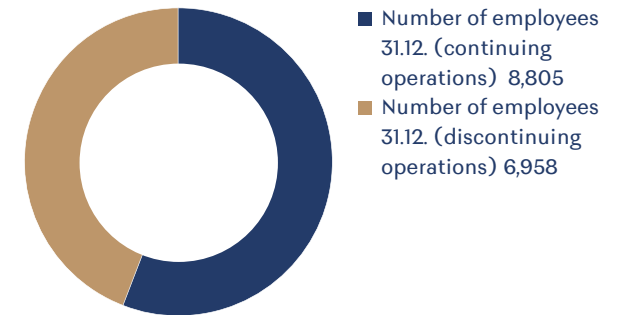
Fazer Group's net sales 2019

**1,097.0 m€**



Fazer Group's operating profit 2019

**49.1 m€**



Fazer Group's employees 2019

**8,805**

# Highlights in 2019

The sale of Fazer Food Services to Compass Group allows us to focus on developing Fazer as an FMCG company.

Kaslink, a Finnish food company specialising in high quality cooking products, drinks and snacks with a focus on Nordic oats was acquired.

We started a 50-million-euro investment in an oat hull-based xylitol factory in Lahti, Finland, supporting our position as a forerunner in value added grain-based products and applying principles of circular economy.

The decision to invest some 30 million euros in expanding our milling business in Lahti, Finland and Lidköping, Sweden will double our oat milling capacity.

The renewed brand positioning Northern Magic. Made Real. was implemented in various touchpoints throughout the Group.

We reinvented the bakery category with products answering consumer wishes, for example, street food and sourdough bread.

The acquisition of Vuohelan Herkku, which was closed in January 2020, makes Fazer the market leader in gluten-free bakery products in Finland.

Fazer Nordi premium chocolates introduced the Fazer brand to consumers in the US.

Fazer joined the Carbon Action project, incorporating the curbing of climate change and carbon sequestration in its Grain Vision.

We invested in food tech both through internal research and development activities and close cooperation with various external partners.

**2019 was a year of significant strategic steps towards a stronger, more focused and integrated Fazer.**

The second internal Innovation Challenge in which Fazer employees came up with new products was organised. The winning team presented an idea for using production surplus and waste material across the company.

Our Fazer Brainhow programme continued to research ways in which nutrition, together with other factors, impacts cognitive capabilities. Studies looked into e.g. nutrient density and the gut-brain axis.





# Fazer – The Food Experience Company



*Fazer, The Food Experience Company, enables people to enjoy the best moments of their day.*

In 1891, the young Karl Fazer opened his first café with a mission to make food with a purpose – and a passion to create moments of joy for all the people around him. From Karl Fazer's ideas and beliefs, Fazer has grown into The Food Experience Company of today. Guided by our brand themes – Northern Liberty, True Relationships and Fearless Creativity – we are aiming Towards Perfect Days.

We focus on food experiences to enable people to enjoy the best moments of their day. Shaping the next tastes, traditions and food experiences, Fazer builds on its strong heritage, consumer first approach and innovations to create sustainable food solutions for the future. Fazer is focusing on its fast-moving consumer goods. We operate in nine countries and export to around 40 countries. In 2019, Fazer Group had net sales of 1,1 billion euros and almost 9,000 employees.

# Mission and vision

New and emerging lifestyles have entered the markets and people's hearts, but the wish for perfect moments stays. With cutting edge innovations, we want to be there for people throughout the day, providing delightful and surprising moments that enrich lives. That touch of Northern Magic. Made Real.

People are committed to their own well-being as well as that of their loved ones. Our products and services look to fill this need in a transparent and responsible way. We want to make the world a better place one moment at a time – now and for generations to come.

## Our mission: Food with a purpose

Our mission describes our reason for being. Food with a purpose means that we create magical moments by pouring love and dedication into each bite and experience – and people's lives. We add a little extra joy, well-being, inspiration, passion and love to everything we do. We want to make a difference every day and:

- *Enrich people's lives with our products and services*
- *Offer wholesome, tasty, and environmentally conscious solutions*
- *Create healthy and easy-to-eat products enjoyed any time, any place*
- *Seek new solutions to bring convenience into hectic lives*
- *Consider impact on people, planet and business in all we do*

Our mission and vision reflect the needs of society and consumers, with sustainability as a key area. Our mission, Food with a purpose, is what we need to make the world a better place. Our vision, Towards Perfect Days, is how we can be shaping the next tastes, traditions and food experiences. This is how we want to see the future, together with everyone around us.

## Our vision: Towards Perfect Days

Our vision is our guiding star, setting a clear direction for our journey. This is how we are united in our spirit, values and the way we work: Towards Perfect Days. Any moment has the power to change the course of a day – for the better. We want to be part of those memorable moments that make a perfect day by:

- *Enabling individual choices and experiences that bring joy and well-being every day*
- *Embedding our values and heritage in our innovations, serving people all day*
- *Making magic happen. Together.*
- *Facilitating desirable and authentic experiences around food*
- *Creating the next food pleasures and traditions for sustainable lifestyles*



# Fazer creates value

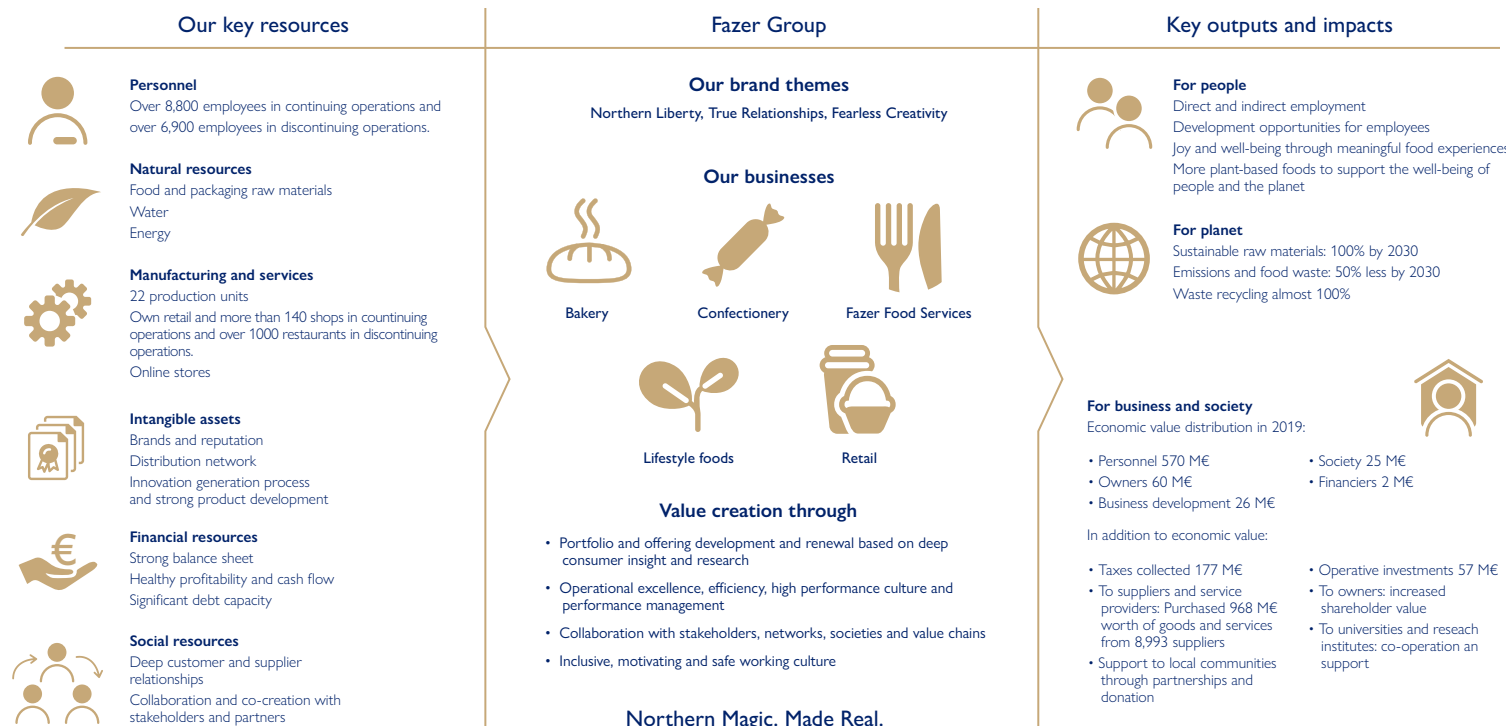
Fazer provides value for all its stakeholders across its operations – throughout the businesses and on the Group level.

Fazer creates value for customers, owners and the society at large. Our operations also benefit suppliers and sub-contractors as well as service providers and other partners in the value chain. We also contribute to society by creating employment and being good corporate citizens.

The value creation graph presents the resources we use, the processes we apply and the impacts we create in the world. We continue our work to reduce our

environmental impacts. We carefully manage our value chains to ensure fair, resource-efficient and environmentally sound procurement. By conducting profitable business, we enable investments, acquisitions and growth.

Factors that affect our value creation include changes in the operating environment, megatrends, risks, opportunities and governance. We carefully consider the influence of such changes on our business.



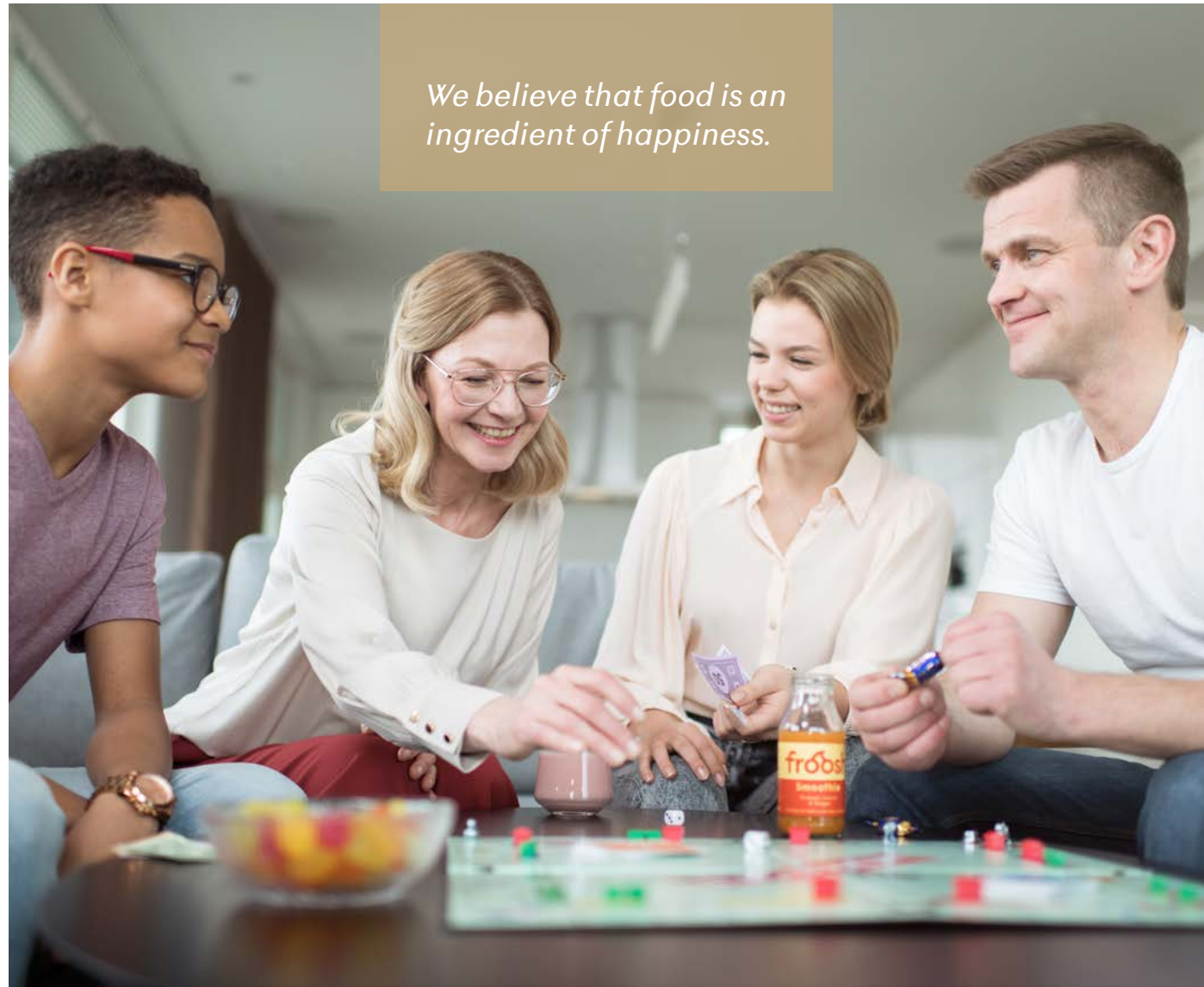
# Our brands

**We are The Food Experience Company. The Fazer brand positioning Northern Magic. Made Real. echoes and sustains our journey. It is a promise that allows us to be ahead of consumer trends while investing in our growth.**

## The essence of the Fazer of the future – meaningful Northern Magic. Made Real.

The Fazer brand is evolving with the times. We are proud of our strong roots and will continue our transition towards becoming a truly consumer-driven company. Our brand positioning, Northern Magic. Made Real., supports us in building an even stronger Fazer brand – it aligns our operations and allows us to communicate what we stand for. The brand supports decision-making, helping us make the desired brand image real. We leverage the value and equity of the brand to help the company grow. We want to be a purposeful brand that appeals to consumer values and needs – now and in the future.

Our brand portfolio is a mix of the Fazer brand, endorsed brands and independent brands. Each of the brands has an important role in our portfolio and enables us to fulfil consumer needs in different categories and markets. However, the target is to strengthen and extend the role of the Fazer brand based on the brand positioning. The creation of a coherent and even stronger Fazer brand, fully utilising the halo effect throughout the portfolio, is the foundation for sustainable growth and internationalisation.



*We believe that food is an ingredient of happiness.*

## Fazer brand: purpose-driven, differentiating and relevant to consumers

The brand is a key enabler in reaching the company's vision. We believe that food is an ingredient of happiness. It creates special moments in everyday life and enables embracing relationships. Meaningful food experiences create both joy and well-being. Our brand positioning, Northern Magic. Made Real. reflects the consumer insight that joy and well-being are a result of choices that do good for us, others and the world around us. This is captured in the three brand themes Northern Liberty, True Relationships and Fearless Creativity.

### Northern Liberty

- *We build on values that stand for equality, acceptance and inclusiveness*
- *We care for each other – as individuals as well as a society*

### True Relationships

- *We build true and honest relationships*
- *We are genuine and transparent*
- *We want to do good for the world around us*

### Fearless Creativity

- *We have the courage to innovate and combine taste sensations that touch up on magic*
- *We value artisanal crafts and pure ingredients*
- *Our founder Karl Fazer was a fearless pioneer who brought people new ideas and inspiration from all over the world. We want you to experience the Northern magic Fazer creates*

## Our brands rely on heritage and innovation

During the year, the implementation of the renewed brand positioning took place in all businesses. It has given the direction to product and service development, communications and marketing. The investments in oats and plant-based solutions and focus on innovation and food tech during the year reflect both promoting our sustainability goals and making Northern Magic real. In communications, actions were aligned to express our values. We also renewed the Fazer brand identity to convey Northern Magic. Made Real. and to support the creation of an even stronger Fazer brand.

The decision to build a xylitol factory, based on circular economy, in Lahti is one of the most remarkable reflections of Northern Magic. Made Real. Fazer also acquired the Finnish food company Kaslink. Our brand promise was also the basis for reducing CO<sub>2</sub> emissions and food waste as well as other sustainability actions and communications in Fazer Bakery.

In Fazer Confectionery, we launched the side stream concept of Fazer Makea Moka to reduce food waste and completed the transformation of the Tutti Frutti range to cover all-vegan ingredients.

In Fazer Retail, the development of the entire consumer experience was based on Northern Magic. Made Real. Novelties with Northern berries were examples of product assortment alignment. Service development included brand integration into introduction and coaching programmes. The consumer communications of Fazer Café also clearly reflected the brand and the themes it carries.

# Operating environment

**We provide meaningful food experiences to people in the Nordics, Baltics and Russia and we export around the world. The changing global economic conditions and market developments impact our operations.**

The operating environment for FMCG companies is changing rapidly, setting demands for us to respond to new needs. The market is growing through distinctly different established categories, on-trend categories and foodtech, while eCommerce is emerging as a significant alternative to traditional trade. At the same time, the focus on good-for-me, personalisation, transparency and sustainability continue to be strong.

The food industry plays a part in everyone's life, everywhere in the world. As global trends, economics and politics impact consumer behaviour, we closely monitor

changes in our market environment to provide the products and services people need and desire.

## Positive economic development in markets despite global uncertainty

The general economic situation in Europe continued positive, but in many markets, growth slowed down. Brexit and the trade disputes between the US and China caused uncertainty in the global economy.



In Finland, economic development continued on a positive track. GDP growth for 2019 is estimated at 1.5 per cent (1.7 per cent in 2018). The unemployment rate decreased slightly from the previous year. Private consumption has declined somewhat, regardless of increased purchasing power.

The growth of the Swedish economy was slow but is expected to recover due to an increase in domestic consumption and improving export. The growth pace will, however, remain below potential. Salaries increased moderately, and inflation is expected to decrease further.

Russia's GDP growth for 2019 is estimated at 1.2%, slowing down from the previous year. Strong growth in the agricultural and industry sectors boosted growth towards the end of the year. The threat of sanctions continues to increase uncertainty across sectors. The unemployment rate remained approximately at the previous year's level. Growth in public consumption is slow but is expected to pick up in 2020.

## Weakened Swedish krona impacts net sales

Currency fluctuations have a direct impact in our financials, when local currencies are recalculated to euros. This may also be reflected in local profits through, for example, higher material costs.

The Swedish krona weakened from the previous year, with a negative impact on net sales. The Russian rouble strengthened somewhat, as did the Pound sterling, which is the main currency for cocoa purchases.

## Market development: fierce competition across categories

The competitive situation has remained tough in all our businesses. The bakery business saw fierce competition especially in Sweden and Russia. Successful launches secured market share growth in the confectionery market. The non-dairy markets were intensely competitive especially in Sweden, and the café landscape saw new players entering the market.

The Finnish bakery market grew compared to the previous year, with white bread, bake-off and artisanal bread increasing their popularity. In Sweden, the market value is growing, driven by arctic bread and dark whole bread, but declining slightly in volume. In Russia, bread consumption declined in volume in St. Petersburg and Moscow but grew in value in Moscow. Fazer Bakery increased its market share from the previous year in Finland and Latvia, but lost some market share in Sweden, Russia, Estonia and Lithuania.

The confectionery market value increased in Finland, and we were able to increase our market share in chocolate tablets, countlines and sugar bags. The biscuit market grew in value, and we gained some market share towards the end of the year. In Sweden, we grew our market share with the launch of Karl Fazer fresh milk tablets and the continued success of Tutti Frutti sugar candy bags.

The food service market developed positively in comparison with the previous year. Net contract sales turned back on a positive track during the latter half of the year and the new sales pipeline remained strong. Performance improved throughout the business due to successful business plan execution in the operating countries as well as continued focus on margin management and profitable growth. Fazer Food Services was sold to Compass Group on 31 January 2020.

The non-dairy market continues its strong development in the Nordics. The Swedish market is highly competitive and the Norwegian market lacks maturity, posing some challenge to Fazer Lifestyle Foods' growth in these markets. Froosh lost market share due to strong competition. Private labels are also active.

Fazer Retail operates in highly competitive markets both in Finland and Sweden, with established as well as new players expanding their market presence.

The outlook for 2020 is unstable. The Coronavirus (COVID-19) will have a major impact on all markets and businesses where Fazer operates.

# Strategy: Targeting the top in the FMCG business

We are The Food Experience Company. Our new vision, Towards Perfect Days, guides our way in an evolving food industry.



We are expanding from a Finnish company to become Northern European, with operations beyond that.

In the next few years, we aim to create value through building an even stronger position as the number 1 FMCG brand in Finland, developing leading positions in Northern Europe and beyond, accelerating our profitable growth through innovations, on-trend categories and foodtech, and excelling in our ways of working as an integrated company to be an industry leader in profitability.

This strategy is enabled by our cultural change and by developing food as a solution for a sustainable planet and business, delivered to our consumers through our brand promise Northern Magic. Made Real.



## Evolving food system drives changes in operating environment

The operating environment for FMCG companies has changed, with the food system evolving and growing through distinctly different established categories, on-trend categories and foodtech. To succeed in the long term, we as an FMCG company need to master all three. These changes are driven by and further enhanced through the ongoing channel disruption.

eCommerce, in particular, is rapidly growing in importance – not as an additional sales channel but as an emerging alternative to traditional trade. Drivers behind this development include the millennial effect and the even more demanding generation Z, the growth of attacker brands at the expense of larger more traditional food players, and the new rate of innovation and change brought by foodtech. Foodtech makes the food system more productive, affordable, sustainable and healthy through innovations in technology, cultivation methods, new ingredients and new types of services. At the same time, the focus on convenience, good-for-me, personalisation, transparency and sustainability continue to grow.

To address the further fragmentation of the food landscape from both a production and a channel perspective, we need to leverage our role as a reliable and genuine brand towards consumers and retail while strengthening our capabilities and role in the growing channels.

Simultaneously, we need to adapt select best practices from successful attacker brands to drive further growth through a clearly articulated and communicated brand position and portfolio. We need to build on our on-trend ingredients to speed up our innovation track, continuously anticipating new consumer preferences. Developing Fazer's position in foodtech and our ability to commercialise significant innovations will, in the future, play an even more important role in executing our ambitious growth strategy. In building on anticipated consumer trends, faster innovations and foodtech, we must master consumer engagement through the implementation of modern technologies to meet or preferably exceed the advances of our highly credible, capable and diverse competitors.

## Targeting the leading position in FMCG

We are The Food Experience Company in Northern Europe and beyond. Our mission is Food with a purpose and vision Towards Perfect Days. In doing so, we will in the next few years create value and strengthen our position as the leading FMCG company in Finland, build leading positions in Northern Europe and beyond, accelerate our growth through leading positions in on-trend categories, innovation and foodtech, and achieve industry-leading profitability.

Concretely, we are targeting:

- **Average annual net sales growth 6-8% (including organic growth and M&A)**
- **EBITDA margin >12%**
- **Maintaining a solid balance sheet with equity ratio >50%**
- **A continued significant dividend yield with a payout ratio of >50%**
- **Increasing market shares in our core markets and categories**

## New vision as basis for strategy implementation

Our mission is Food with a purpose. This is why we exist, and the foundation for everything we do.

We are The Food Experience Company. In early 2020, we updated our vision: Towards Perfect Days. Our vision sets out what we as a Group want to achieve, setting our direction and the basis for our strategy.

We updated our vision because the market environment gives us the opportunity to address the consumer more holistically than before. Now, through the sale of Fazer Food Services, as a more focused FMCG company we are in a better place to do so with a clear vision as our guiding Star.

Now is the time to find our full potential and unleash it. It is time to see our role in people's lives in a new light. In doing so, we want to be a part of all those memorable moments that make a perfect day.

It is a step change, but if we can make a single perfect day, for a single human being, we are simply making our world a better, happier place. It truly is food with a purpose.

## From 2019 to the new decade

In 2019, we implemented our strategy successfully in many ways. We repositioned Fazer as an FMCG company through the sale of Fazer Food Services. We also actively implemented the renewed Fazer brand: Northern Magic. Made Real.

We invested in organic growth in Fazer Confectionery and Fazer Bakery's shop-in-shops and expanded Fazer Lifestyle Foods' business through the acquisition of Kaslink. Fazer Retail's concepts were further developed, and the network expanded.

We invested in innovation and R&D through, among others, the new xylitol factory in Lahti, our partnership with Solar Foods and our internal innovation challenge.

In 2020, planned strategic actions include the re-organisation of our sales force in Finland in order to serve our customers better than before. We will invest in growth in the Nordics and Baltics in Fazer Confectionery while strengthening our non-dairy offering and distribution through Fazer Lifestyle Foods.

Our plans also include expanding our shop-in-shop operations and considering our manufacturing efficiency potential in Fazer Confectionery and Fazer Bakery. We will complete the xylitol factory and oat mill investments announced in 2019, significantly increasing our oat capacity while applying the principles of circular economy in our production.

We will identify and implement opportunities across our functions to become a more integrated FMCG company after the Food Services divestment. We will focus on integrating acquired businesses Kaslink and Vuohelan Herkku into our operations and ways of working, but also look into further acquisitions to strengthen our organic efforts.



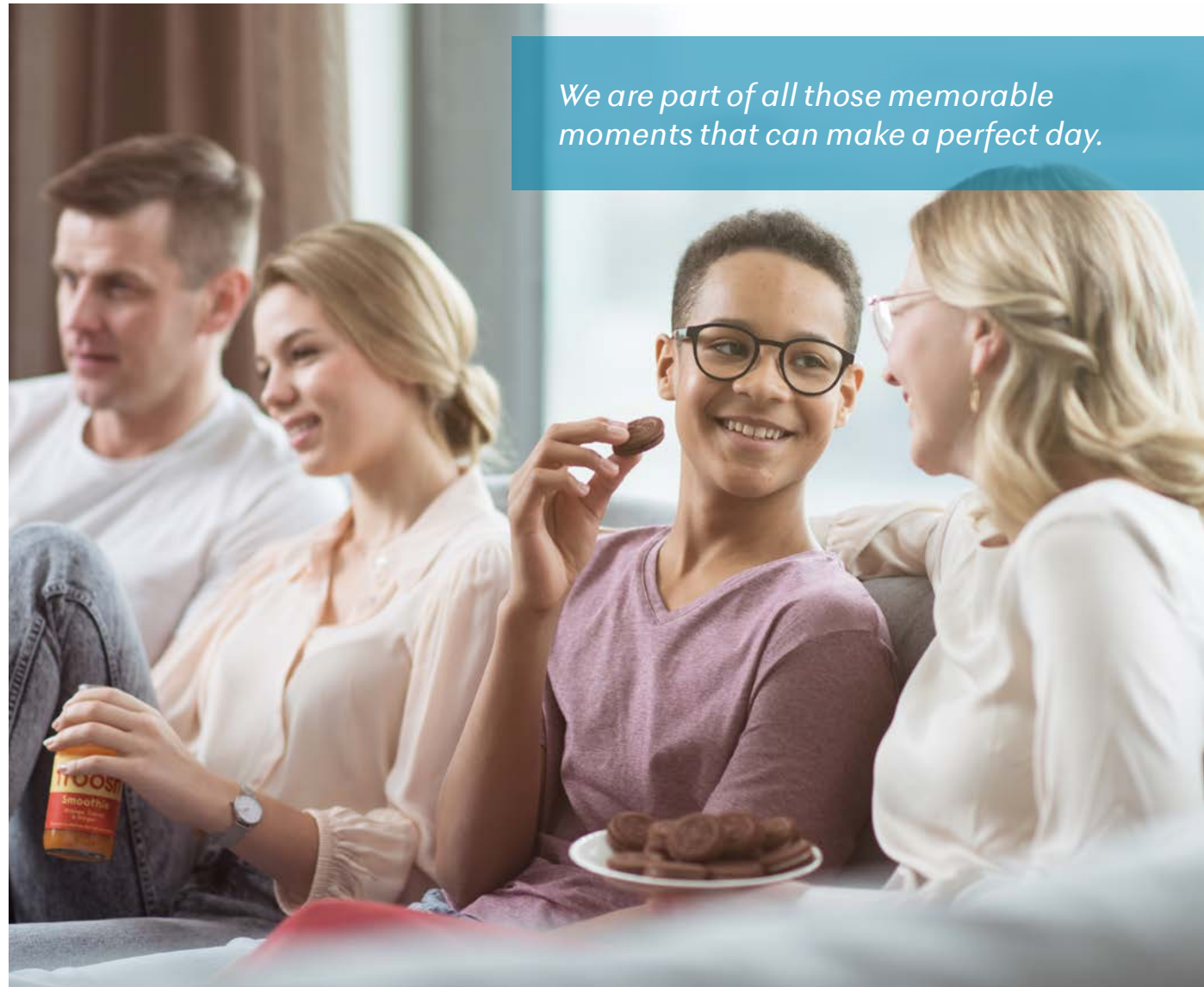
# Our businesses

**Fazer creates meaningful moments. Through our carefully crafted products and services, we build true relationships with customers and consumers. We are part of all those memorable moments that can make a perfect day.**

Fazer answers versatile customer needs through its businesses. We create experiences to remember and bring a touch of Northern inspiration into people's lives.

Fazer Bakery has the perfect bread, cake or pastry for every occasion. Fazer Confectionery's chocolates, sweets and biscuits delight in special occasions as well as everyday moments of indulgence. Fazer Lifestyle Foods offers healthy non-dairy foods, delicious smoothies and wholesome breakfast products. Fazer Retail refreshes consumers with freshly baked products and special coffees in cafés and bakery shops.

In 2019, Fazer agreed to sell the food service business to Compass Group in order to focus more strongly on developing our offer on the FMCG sector. The sale was completed 31 January 2020. This sale will have a significant impact on our net sales in 2020.



*We are part of all those memorable moments that can make a perfect day.*

# Fazer Bakery: Reinventing the bakery category for sustainable tastes

**Our bakery business is for conscious consumers wanting more sustainable and healthier options, memorable delights – and making choices that do good for us all.**

With the demand for environmentally sustainable and healthy bakery products on the rise, Fazer Bakery continues to cater to trends that are good for the planet and good for people. We have reinvented the bakery category by responding directly to consumers' expectations.

Plant-based trends continue to drive the markets. Categories, such as artisanal bread, have made their way into people's hearts, providing new avenues for delicious Fazer concepts.

## Performance in 2019

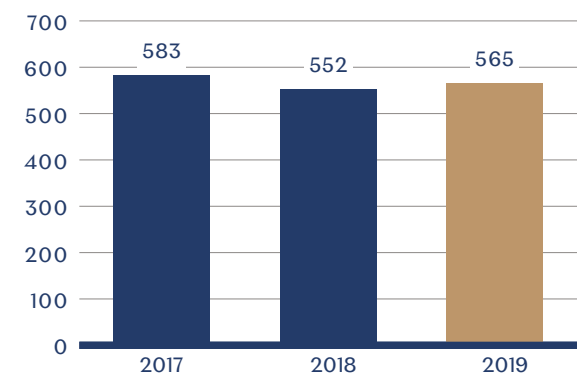
2019 was a year of efficiency and innovations, with Fazer Bakery Finland as the spearhead for this change. Development was positive in all countries, except Russia and Sweden. We opened as many as 21 new shop-in-shops in Finland, and the concept was expanded to the Baltics with three shops opened in Estonia. Strategy execution has been strong in the Baltics, where we had a third consecutive year of strong growth.

The artisanal trend is here to stay, and we have invested in artisanal baking through shop-in-shop and bake-off concepts. New additions to Fazer Street Food, sourdough and oat products, have been received well.

We have implemented a value creation programme across all operating countries to increase cost-efficiency and to optimise our processes. To bring decision-making closer to the customers, the Fazer Bakery Business Area organization was simplified in October.

During 2019, we implemented several measures to improve the sustainability of our operations. Reducing our CO<sub>2</sub> emissions and food waste, sustainable packaging and sustainable grain cultivation are at the core of this work.

NET SALES – FAZER BAKERY, M€



## Going forward

We are the market leader in the Finnish bread category and will continue to renew and maintain our work in this area. We will continue to communicate about the healthiness and sustainability of bread. The plant-based trend, along with artisanal and sourdough will be focus areas for us. We will continue developing our shop-in-shop business and its expansion to other countries.

Sustainability continues to be high on our agenda. In addition to food waste and emission reduction activities, our efforts will be centred on the trends of artisanal, gluten-free and oat products in our bakery business. We will keep innovating and launching new products as well as utilising Fazer's patented LOFO enzyme in our belly-friendly product portfolio.

We acknowledge our responsibility in developing sustainable farming, and we have created a Grain Vision in collaboration with farmers to ensure the long-term cultivability of soil and promote sustainable and efficient grain cultivation. We will continue to implement this vision.

Finland and the Baltics are expected to continue to grow. The gluten-free volume increase in Finland is supported by the acquisition of Vuohelan Herkku in January 2020 which makes Fazer the market leader in this growing category. In Sweden and in Russia, the turnaround and transformation continue.



# Fazer Confectionery: Sparking joy through conscious indulgence

Interest towards holistic well-being remains strong, and people today want a balanced lifestyle. With our offering, we create opportunities for conscious indulging. By continuously developing the sustainability of our raw material procurement and packaging, we build future-proof, true relationships with consumers, customers and suppliers alike.

## Performance in 2019

Fazer Confectionery's focus on profitable growth yielded excellent results, with increased sales in all categories. Strong novelties and impactful marketing campaigns generated growth in countlines and candy bags, and chocolate tablets continued their strong performance.

We increased our market share in the majority of our markets. The Finnish market performed very well. International growth was supported with strong development in Denmark, successful sales initiatives in Asia and the launch of Fazer Nordi premium chocolates in the US.

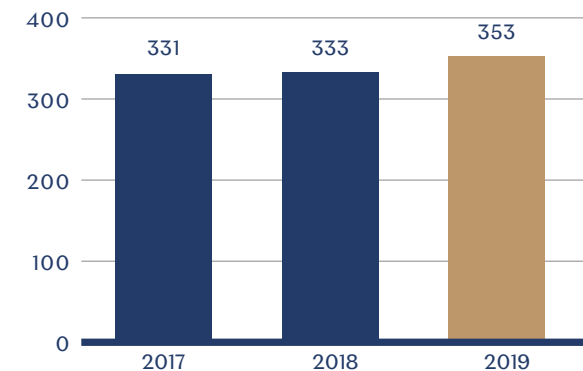
Strategy execution continued with a focus on working as one team and developing operational excellence. We improved our capabilities in leadership, procurement, marketing, talent and QEHS practices with key recruitments in the Business Area and Supply Chain management teams.

We successfully launched the Makea Moka sugar confectionery food waste concept, strengthening our sustainability cooperation with a key customer. We finalised the transformation of the Tutti Frutti range to all natural, completely vegan ingredients. We launched new package markings that will make waste sorting easier for consumers. New technical solutions enabled us to create

Northern Liberty is freedom to enjoy special moments as well as everyday life. Fazer is present in these moments through its chocolates, sweets and biscuits. As Finland's leading confectionery company, Fazer is a highly trusted and respected brand that evolves together with consumer needs.

personalised packages. We launched the first output of Fazer's collaboration with the Finnish Sulapac – a microplastics-free, compostable box containing Fazer's traditional handmade pralines.

NET SALES - FAZER CONFECTIONERY, M€



## Going forward

We will create a balanced innovation portfolio, with insightful novelties for the traditional indulging business as well as for future consumer needs. In addition to securing the core business, we want to surprise consumers with disruptive, true innovations.

We will build a relevant product offering for conscious indulging while engaging in initiatives to reduce food waste, optimise packaging and support circular economy.

The confectionery market is growing, and we are growing faster than the market. Key consumer trends impacting the market are sustainable lifestyles, holistic well-being and hypermodern life. By addressing them with a balanced offering, attractive novelties and responsible operations, we will continue to grow our market share across our markets.

In the fast-changing modern world, people are returning to their roots with traditional ingredients and products. We are carefully modernising Fazer Confectionery in a way that respects and preserves the trust people place in our brand.



# Fazer Lifestyle Foods: Facilitating a plant-powered lifestyle – without compromises

Fazer Lifestyle Foods is answering trends that are changing the way we see our food. The offering responds to multiple strong trends and builds on the attractive plant-based food market development.

Our ambition is to become one of the leading plant-based players in Northern Europe. We aim at reaching our targets by always delivering outstanding taste and having an innovative, consumer insight driven offering in non-dairy, fruit, plant-based snacks and breakfast cereals. We will differentiate ourselves and build world-class brands based on the brand positioning, Northern Magic. Made Real.

For us, fearless creativity means being passionate, never shortcutting quality and always offering convenience. We enjoy unparalleled Nordic luxury that does good for the planet and its people, and we want to empower others to do the same.

## Performance in 2019

The year 2019 saw a strong focus on re-investments into our brands and categories to drive future growth. The competitive environment of Fazer Lifestyle Foods continues to be tough in the Nordics. Growth in the smoothie category has not been on the desired level, while the non-dairy market developed favourably.

We acquired the Finnish food company Kaslink, a well-positioned player on the Finnish market offering Nordic food products, cooking products, drinks and snacks. Nutritionally rich and sustainable Nordic oats are a central focus area in the company's offering.

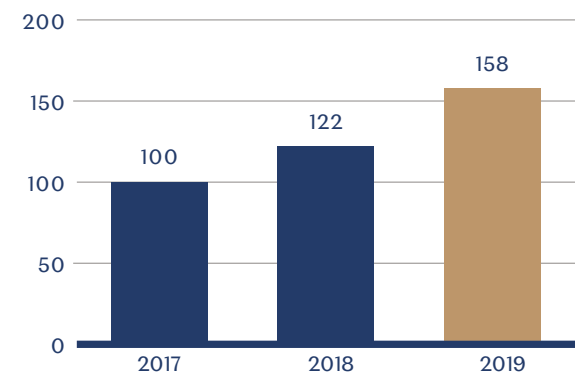
We made an investment decision to double our oat milling capacity in Lahti, Finland and Lidköping, Sweden. With the change, we want to meet the growing oat demand and provide top-quality ingredients for our businesses. These investments will total 30 million euros.

Our ground-breaking 50-million-euro investment in building a xylitol manufacturing facility in Lahti captures a huge opportunity in milling and circular economy thinking. The facility will use oat hull as raw material, utilising the side

stream of the oat milling process with state-of-the-art technology. Next to the xylitol manufacturing facility, Fazer will build a bioheating plant which will provide bioenergy for our entire Lahti site. The xylitol manufacturing facility provides possibilities for several patents.

We continued strategy development and initiated our plant-based product strategy "Facilitating a plant-powered lifestyle without compromises". Froosh launched a new range of additive-free juices without added sugar. Fazer Yosa saw growth, entering another new product category, Frozen Oats, in ice cream coolers.

NET SALES - FAZER LIFESTYLE FOODS, M€



## Going forward

We want to ensure our position as a significant player in the Nordics. Therefore, we will invest further in establishing our business outside of Finland, with Sweden and other Nordic countries as particular focus areas.



Oat is and will continue to be at the core of the business, and we will focus our development of oats in various categories. We will work hard in the non-dairy, plant-based meals and breakfast categories and build on successful brands. The Froosh brand will be modernised and further developed.

The acquisition of Kaslink will further drive our success in non-dairy, and the ongoing integration will enhance Fazer Lifestyle Foods' offering of sustainable snacks for healthy lifestyles.

We have evaluated different options for increasing the efficiency in the production of the Fazer Yosa oat products and enabling growth, and thus decided to close the production facility in Kaarina, Finland and to move operations to the factory in Koria, Finland. The actual closing of the production facility in Kaarina will take place in autumn 2020.



# Fazer Retail: Exquisite tastes and memorable experiences

The demand for artisan, food and coffee outside the home is on the rise, blurring the roles of bakery shops and cafés. Sustainable lifestyles are here to stay, and people are calling for high-quality products that are healthy and memorable. Whether it's in premium bread or delicious coffees, we offer memorable experiences at our bakery shops and cafés, where you can spend a moment enjoying our products with all the senses.

## Performance in 2019

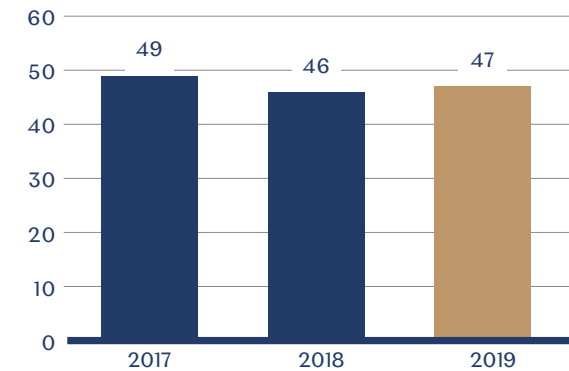
Net sales increased slightly from last year, despite fierce competition, especially in Sweden. New players are increasing their market presence, and the share of unpacked bread is growing in the grocery channel. We saw positive development in profitability and comparable sales, especially in Finland.

We completed the implementation of the new Fazer Retail organisation. We also launched new store concepts and opened six new stores in new locations. 2019 saw the central bakery in Sörnäinen, Finland being renovated and upgraded for improved efficiency and capacity.

We introduced the Le Havre oat bread range, vegan cardamom and saffron buns and several innovative Fazer Confectionery branded products in Fazer Cafés. We also introduced longer shelf life products.

In Fazer Retail, we offer premium customer experiences and convenience all wrapped in one. We address consumer trends with a focus on quality and craftsmanship while catering to the growing demand for product transparency and sustainability.

NET SALES - FAZER RETAIL, M€



## Going forward

We will continue to address consumer trends, focusing on quality and convenience. Snacking and balancing well-being means smaller portion sizes and more plant-based options while also considering the continuing flexitarianism trend. Young people are looking for authentic experiences and transparency when it comes to making food purchases, and we want to be the go-to provider in this trend.

We will continue to invest in product development with a focus on special diets and innovative novelties that build on fearless creativity. Sustainable products will also be at the core of our offering, along with products that have a longer shelf life.

Our development will also focus on our store network, where we will improve our store concept even further and establish a more digital footprint.

Our plan is to develop the business to a track of profitable growth, with a particular emphasis on profitability. The growth plan is supported by tactical action plans for the current store network and the opening of several new bakery stores and cafés. The bakery store concept will also be developed further in order

to ensure that we can meet consumer needs better in different types of locations. Fazer Retail continues to have an important role in showcasing Fazer's offering and having a direct dialogue with consumers.



# Fazer sold Fazer Food Services to focus on FMCG business

In June 2019, Fazer announced its decision to sell Fazer Food Services to Compass Group Plc. The sale is part of Fazer's ambition to focus on its fast-moving consumer goods businesses.

The sale was approved by the EU Commission's competition authorities on 28 January 2020 and took effect on 31 January 2020. The enterprise value of the sale of the business was approximately EUR 475 million, excluding balance sheet adjustments and possible additional purchase price. Fazer Group plans to use the proceeds from the sale to invest in the implementation of its growth strategy.

The entire personnel of Fazer Food Services, approximately 7,000 people, became Compass Group employees.

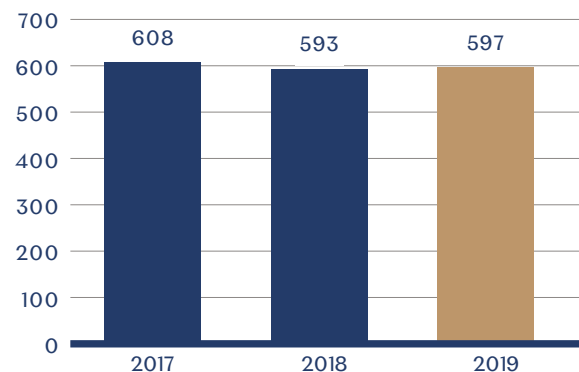
## Performance in 2019

Fazer Food Services' performance improved from the previous year due to operational improvements and better contract retention. Sales and profitability in comparable units grew in all countries, particularly in Finland.

## Going forward

Fazer is committed to supporting Compass Group PLC and the food service business to ensure a smooth transition. We have agreed that the Fazer Food & Co brand and concept will be licensed in Finland for three years.

NET SALES - FAZER FOOD SERVICES, M€



# Four sustainability goals guide our way

We want to do good for people and the planet. This is part of our strategy, our heritage and our future. To reflect this desire, we renewed our sustainability approach in 2018 and chose four Core goals to guide our work. In 2019, we made good progress, and we aim to reach these goals by 2030.

We have worked for decades towards advocating healthy eating, reducing food waste and increasing transparency in raw material sourcing. 2019 was the first year during which our efforts were steered by the new approach. We have achieved a lot but are already looking ahead, towards an even more sustainable future.

*We have chosen four Core goals to guide our sustainability work.*

GOAL 1

**50%  
LESS**  
emissions

GOAL 2

**50%  
LESS**  
food waste

GOAL 3

**100%**  
sustainably  
sourced

GOAL 4

**MORE**  
plant-based

# Sustainability highlights 2019

The year 2019 saw the continuation of the work on the sustainability approach that was revised and updated in 2018. Our work towards 2030 continues with four Core goals: 1) 50% less emissions, 2) 50% less food waste, 3) 100% sustainably sourced, 4) more plant-based.

Focus was put on implementation plans for the four sustainability Core goals and evaluating the impact of Fazer's production sites water usage and footprint.

Our reputation remained on a good level in all markets, with especially high scores in Russia and Finland. Fazer was ranked as the 2nd most sustainable brand in Finland in the Sustainable Brand Index 2019.

We joined the Carbon Action project managed by the Baltic Sea Action Group (BSAG) and the Finnish Meteorological Institute.

The construction of a state-of-the-art Xylitol factory in Lahti, using oat hull as raw material for xylitol, was started.

We introduced the Makea Moka product piloting in 2019, where consumers can buy less-than-perfectly shaped or coloured sugar confectionery as a way of tackling food waste.

We established a strategic partnership with Solar Foods to develop Solar Foods' novel protein ingredient Solein® and to find new sustainable solutions.

We committed to the cage free eggs by 2024 in Finland, Sweden and Baltics. The target year for Russia is 2030.

The collaboration with World Resource Institute brought us concrete tools for measuring and understanding the carbon footprint of our raw materials.

We agreed on a KPI for Core goal 4 and used it to analyse our share of plant-based across all businesses. We also agreed on a definition of plant-based: vegan products with no animal-originated ingredients.

Vegan versions of our classics, such as the Pure Dark chocolate and Tutti Frutti were introduced.

We are actively participating in dialogue with stakeholders on different forums such as Almedalen and Fazer Day.

Our energy consumption decreased per produced tonne from 0.86 to 0.84 MWh/tonne.

Our waste increased per produced tonne from 0.14 to 0.17 tonnes/tonne.

Fazer Sweden has committed to a number of industry initiatives within sustainability together with other players in the food industry. For example, we committed to fossil-free transportation by 2025 and having recyclable packaging material for our products by 2022.

We are reducing the use of single-use and other plastics and replacing them with biodegradable options. Fazer is giving up single-use plastic utensils, including cutlery, straws and cups, in its bakery shops and cafes. In 2019, we introduced the first output of the collaboration between Fazer and Sulapac: a compostable box of pralines that is free of microplastics.

We continued our research with Fazer Brainhow to support innovations with science-based understanding on the effects of nutrition, sleep, activity and recovery. Our clinical studies thus far have included e.g. the FlaSeCo study, which examined the effects of cocoa flavanols on seniors' cognitive function in an 8-week intervention.

# Our sustainability approach: Leading change with Core goals

In order to answer the question of what is needed for us to create and offer sustainable food solutions also in the future, we have recently defined a new sustainability approach that we follow on all levels.

Our sustainability approach is based on our desire to do good for people, the planet and business. It takes into account a variety of aspects from food safety and water management to fair value chain and diversity. At the core of the approach, there are four interconnected goals, the Core goals.

The approach was renewed in 2018 and operational execution started in 2019. During 2019 we have focused on implementing our sustainability work through the four Core goals. We established the year 2015 as the baseline for Core goals 1, 2 and 4, as we have extensive data related to the sustainability goals from 2015 onwards. This is also in line with the Paris Agreement's time frame of 2015–2030. Sustainability reporting includes Fazer Food Services, except for Core goals 1, 2 and 4 in which the implementation was not relevant due to the upcoming sale of Fazer Food Services.

The 4 Core goals are:

## Goal 1: 50% less emissions

We want to mitigate the effects of the food system and its emissions on climate change. Climate change also affects the food system directly through the availability, accessibility and affordability of raw materials. In addition to climate emissions, the global food system also results in other emissions in water and on land, which we are working on reducing.

## Goal 2: 50% less food waste

Reducing food waste is one key way to decrease the environmental effects of food, while also increasing business efficiency through lower costs.

Sustainability is a part of our daily operations across all the businesses and on a Group level, and an important element of our strategy, mission and vision.

## Goal 3: 100% sustainably sourced

We have a major effect throughout the value chain, impacting societies, people and their livelihoods. For us, sustainably sourced means two things: developing basic level requirements further for all suppliers and putting extra effort on selected value chains, such as cocoa, grain, palm oil and soy.

## Goal 4: More plant-based

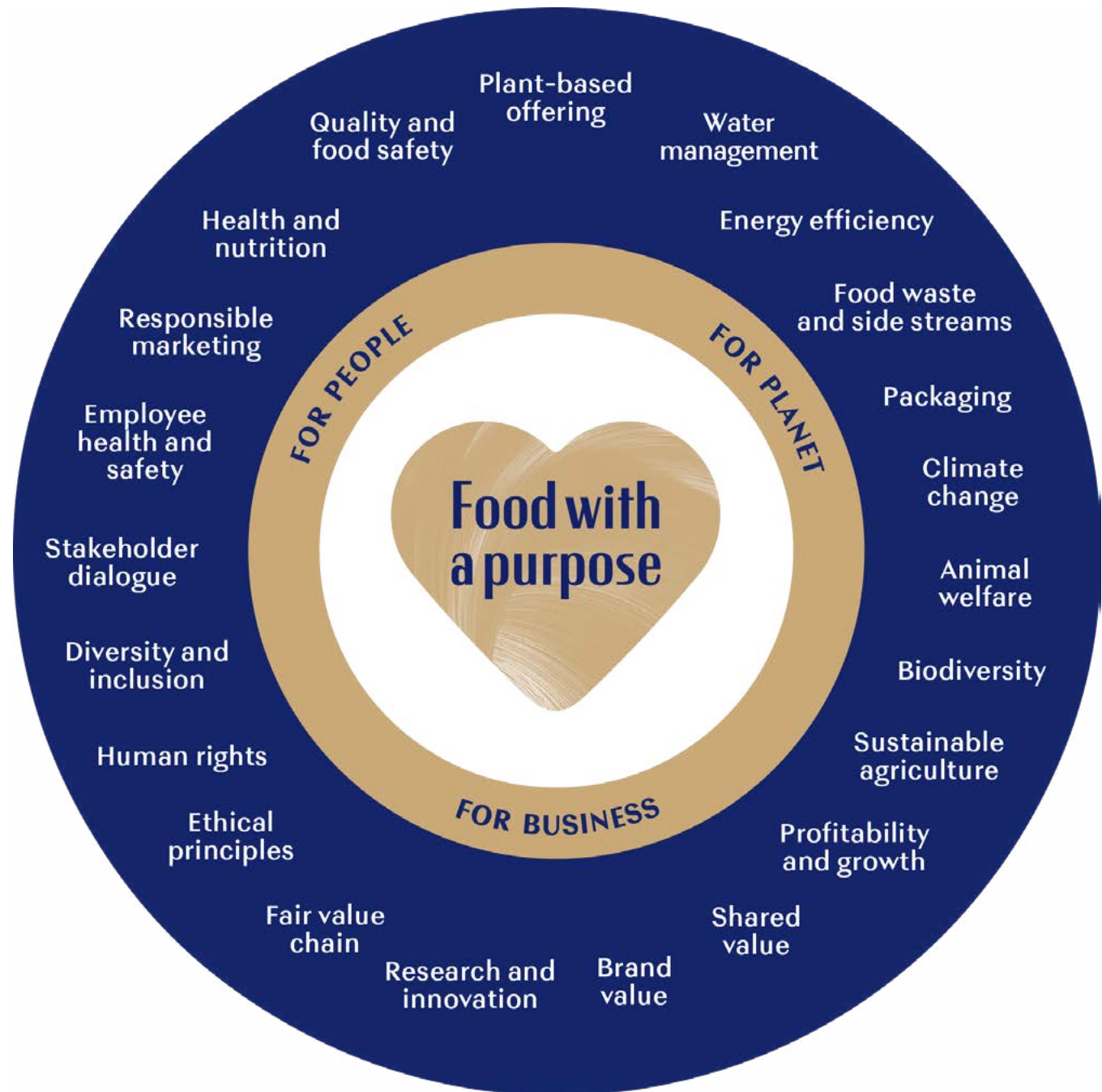
Choosing less meat and dairy products is the single biggest way to reduce your environmental impact on the planet. Eating more plant-based has clear health benefits for people. We are developing our offering based on growing food trends of flexitarianism and plant-based foods.

	2015	2019	Target 2030
Core goal 1, 50% less emissions, CO <sub>2</sub> tonnes/tonne	2.00	1.74	1.00
Scope 1 & 2, purchased energy, own & leased cars and transportation	0.15	0.14	
Scope 3, raw materials, waste, water, business travel	1.85	1.60	
Core goal 2, 50% less foodwaste, food waste tonnes/tonne	0.073	0.045	0.037
Core goal 4, more plant based, share of SKUs, %	36.0	48.0	

## Wheel of essentials and SDGs

The four Core goals are supplemented with the Wheel of Essentials – an overview of essential sustainability topics addressed by Fazer. These topics are strongly interconnected but can be divided into three groups: for people, for planet and for business. We have defined an action plan that includes key actions, targets and KPIs.

We have also defined the ways in which our work with these topics contributes to the realisation of the United Nations' Sustainable Development Goals (SDGs). We are strongly committed to supporting the implementation of the SDGs and encourage active stakeholder dialogue on them. We see food as a solution and know that the food industry has a significant impact on reaching the goals.





# Managing sustainability

In order to efficiently manage our sustainability work, we have clearly defined roles and responsibilities in the sustainability team, sustainability and QEHS network and Sustainability Leadership Forum. The highest authority in sustainability matters lies with our Board of Directors and Group Management Team.

Our sustainability work is guided by our Sustainability Policy, Human Rights Policy, QEHS Policy, governance practices, operating principles and ethical principles, which are based on the ten international principles of the UN Global Compact. Fazer signed the UN Global Compact initiative in 2012.

## Board of Directors

Approves ethical principles.

## Group Management Team

Approves policies and objectives.

Group President bears the ultimate responsibility.

Group EVP, Communications and Branding is responsible for sustainability.

## Head of Function

Approves instructions.

## Business Areas and Business Units

Implement sustainability approach and action plans as well as strategic outlines, and set targets and objectives.

**Our sustainability work is structured carefully both internally and externally. In our activities, we follow guidelines and policies based on the latest international principles.**

Set sustainability focus areas.

Implement instructions, practices and operating models.

## Sustainability Team

Develops sustainability approach and supports its implementation.

## Sustainability Leadership Forum

Ensures alignment within the Group: drafts Group-level strategies, policies, guidelines, targets and positions.

Assesses, monitors and develops sustainability topics within the Group.

Ensures the agreed actions are implemented.

Escalates and prepares issues for the right decision forums.

## Sustainability and QEHS Network

Ensures sustainability alignment within the Group

Ensures the effective use of resources

Shares knowledge, know-how and market views in different countries and businesses

# Stakeholder engagement

**We gain valuable insight from our other stakeholders when we innovate new products and services, develop our business and create new channels for engagement. In our development work we place the consumer first.**



Dialogue with shareholders, employees, consumers, clients, suppliers throughout the value chain, decision-makers, NGOs and the scientific community helps us identify and address the trends that shape consumer behaviour. By recognising them, we can provide more sustainable and healthy alternatives and thereby help people consume in a way that is better for the individual as well as for the planet.

In turn, we provide information and resources to advance sustainability work in countries where we operate and beyond. Today's global challenges require active collaboration between stakeholders, and no single party can solve them alone. We take responsibility as part of a worldwide community, seeking solutions together.

We work together with various organisations to enhance the well-being of people and the planet. Through joint efforts with Baltic Sea Action Group, WWF Finland, Climate Leadership Coalition, Hållbar Livsmedelkedja, SOS Children's Villages, the Lake Vesijärvi Foundation, Helsinki Zoo (Korkeasaari), universities such as Aalto University, Hanken School of Economics, University of Helsinki and University of Eastern Finland in Finland, SLU (Swedish University of Agricultural Sciences), Örebro University, Uppsala University and Chalmers in Sweden, and research networks, we can make a bigger impact.

We have identified our most important stakeholder groups and outlined several engagement methods.

## Key stakeholders

## Key channels of dialogue

## How we respond to stakeholder expectations

Consumers

Daily encounters, customer service channels, surveys, websites and social media, packaging, visits

Through immediate connections both online and in our cafés and bakery shops we learn what people value. We turn these customer insights into new products and services. Consumers need to be able to trust the quality and safety of our products and services. We need to provide reliable information on our products and services and Fazer as a company.

Customers

Meetings and cooperation, questionnaires, newsletters, customer feedback systems, customer events

We have close customer relationships. We bring value through both services and products that are of high quality and right for the consumer.

Shareholders

Annual general meeting and Annual Review, regular reports and information meetings, other regular events such as the summer meeting, shareholders' website

We provide accurate and reliable information on our performance, governance, business development and sustainability in channels which best suit the shareholders.

Employees

Individual Performance Management Process, continuous communication between managers and employees, personnel events, personnel surveys, Fazer's whistleblowing service, intranet and other internal channels, communication between employees/managers and local HR

Through official communication channels and processes, we can communicate with all employees. Through direct communication between employees, managers and HR, we ensure daily dialogue with employees.

Suppliers

Supplier relationship management process, meetings, agreements, supplier requirements, audit questionnaires, audits, monitoring meetings and visits

We have close supplier relationships and we cooperate with our suppliers for example in the area of sustainability.

Society (authorities and governments, media, NGOs and local communities)

Meetings, partnerships and collaboration, questionnaires, events

We create value to the society and engage in active dialogue. We are members in and have partnerships with various organisations. We believe in open and transparent communication.

Universities and research institutes, start-ups

Partnerships and collaboration

Through partnerships and by combining our own research with university and start-up collaboration, we expand our own expertise and improve our capabilities to introduce sustainable innovations with social significance.

Investors and financial institutions

Meetings and collaboration

We provide accurate and reliable information on our performance, governance and business development as well as sustainability.



# Core goal 1: 50% less emissions

**We will reduce the CO<sub>2</sub> output of our own operations and work to decrease the emissions in our entire value chain.**



- *The food system is a major driver of climate change*
- *Climate change directly affects our business, e.g. raw material availability*
- *We can make a difference by taking action to reduce the impacts of food production*
- *We are committed to reducing our CO<sub>2</sub> emissions throughout the value chain*
- *In addition to CO<sub>2</sub> emissions, we will also evaluate our emissions to land and water*

During 2019, we have been calculating our emissions based on the GHG protocol, using the framework for CO<sub>2</sub> emission calculations for scope 1, 2 and 3. Our target was to set the baseline for the year 2015, examine where the biggest emissions stem from and find ways to reduce them.

The key challenge with this goal is that the calculations especially for scope 3 emissions are difficult and debated. Furthermore, some technologies and solutions to reduce scope 2 emissions from e.g. transport in an economically viable way are still missing. We are, however, confident that further advances in this area will soon be made.

## Achievements in 2019

We continued with our long-term plan concerning energy, with focus on energy efficiency. We continued to purchase renewable electricity and reached the level of 82 %. Our energy consumption decreased from 0.86 to 0.84 MWh/tonne. Our target for 2020 is to reduce energy consumption per produced tonne

by 20%, and we believe we will reach the target. We have also started our work for establishing the energy long-term plan from 2021 onwards, focusing on energy efficiency and optimising the use of renewable sources of energy, including use in transportation.

We continued our work for reducing waste water emissions through improving our waste water treatment systems in Russia. The systems are now working in all our St. Petersburg bakeries; in the Smolenskaya, Neva and Murinskaya sites.

We reduced our total CO<sub>2</sub> emissions per produced tonne from the 2015 baseline by 13%.

We did not have any incidents causing leakages to the environment in 2019.

## Going forward

Going forward, the biggest share of our emissions comes from scope 3 emissions generated in the value chain. Therefore, our focus will be in reducing these emissions. We shall continue to improve our energy efficiency and use renewable electricity. Reducing waste will also help us reach our Core goal.

We still need to improve our understanding on how to reduce scope 3 emissions. We shall also set concrete actions to reduce emissions generated by transport. For example, in Sweden we have committed to the DLF transport initiative for fossil-free transport by 2025.

Our new strategic partnership with Finnish foodtech start-up Solar Foods aims to develop a novel carbon-neutral protein ingredient. Solein®, invented by Solar Foods, can be produced completely independently from soil, negative land use impacts, weather and climate.

## CASE: Xylitol and bio-heating from side streams

Fazer is building a xylitol manufacturing plant in Lahti, Finland, using oat hull as raw material for xylitol. The hulls are a side stream of the oat milling process, but with state-of-the-art technology, they can be turned into useful raw material. The 50-million-euro investment testifies to our commitment to explore possibilities offered by circular economy.

The oat hull mass left over from the xylitol production process will be used in a new bio-heating facility to generate sustainable energy for the mill, bakery and rye crisp production lines as well as the xylitol factory itself. The heating facility will produce enough energy to serve Fazer's entire factory area in Lahti.

*We are committed to reducing our CO<sub>2</sub> emissions throughout the value chain.*



# Core goal 2: 50% less food waste



- *Approximately one third of the global food production is lost or wasted annually*
- *Food waste creates major negative impacts on the climate, water, land and biodiversity*
- *Reducing food waste is one of the key actions to minimise negative environmental impacts of food*
- *At the same time, we can drive value for business through lower costs*

Our interim target was to reduce waste by 10% by the end of 2020 from 2015 as baseline, and in 2019 we continued our work towards reaching that target.

We established the baseline towards measuring progress on Core goal 2 as the year 2015. We used the methodology of the Food Loss and Waste (FLW) Protocol, a reporting standard which enables companies, countries, cities and others to quantify and report on food loss and waste in order to develop targeted reduction strategies.

Progress in this goal is by no means easy to make or quantify. How to define and measure food waste on a national scale was under development in 2019 in, for example, Finland and Sweden. Food waste can be defined by destination as well as by division into avoidable/non-avoidable and edible/non-edible. However, what is considered avoidable and/or edible can vary from country to country. This is something we need to consider as we have operations in several countries. We must also take into account our direct impact as well as indirect impacts made by educating and influencing suppliers, retailers and consumers.

**Reducing food waste is a joint effort in which both food production and consumer behaviour play a significant role.**

## Achievements in 2019

We established a baseline towards measuring progress at our production sites. We continued our efforts to reduce food waste in restaurants and production sites. Our food waste decreased per produced tonne from 0,073 to 0,045.

We began construction of a xylitol factory that uses side streams from the oat milling process as raw material, thereby reducing production waste.

In Finland, we launched the Makea Moka sugar confectionery bag, which contains sweets with visual flaws such as the wrong colouring or shape but are perfectly tasty. The innovative bag reduces production waste in our confectionery business.

We shared tips on social media to help consumers reduce food waste. The Karma app reduced waste in Gateau shops in Sweden as products were sold at lower prices near closing time and advertised through the app.

Fazer Bakery joined the Material efficiency commitment set up by the food industry, trade and packaging sector together with three ministries in Finland.

## Going forward

We will continue to closely monitor EU and national food waste definitions, policies and reporting requirements. We shall continue to reduce food waste along the value chain and help consumers reduce food waste by raising awareness and providing e.g. packaging solutions.

We will continue with existing initiatives and initiate new ones to reduce food waste. Our priority is to prevent waste from occurring, but we will also look at how side streams are used now and could be used further.

## CASE: Reducing bread waste in Swedish retail

Fazer shared bread waste data with Borås University and the Swedish University of Agricultural Sciences, which allowed the amount of bread waste along the value chain to be identified. This information has so far not been available to the public. The researchers noted that the business model in Sweden where the supplier takes back unsold bread at no cost is a significant risk factor for the increase in bread waste.

We engaged in dialogue with customers on how to remedy the situation. One retailer customer has already earlier challenged the business model by taking the responsibility for unsold bread for itself. During the first month this model was applied, the amount of bread waste generated was halved. The excellent results encourage us to keep examining ways to further reduce bread waste.

From 2019 Fazer in Russia has been working with customers according to no returns policy. This has resulted to decline in food waste when the customers have been doing their orders more accurately.



*Reducing food waste is one of the key actions to minimise the environmental impacts of food.*



# Core goal 3: 100% sustainably sourced



- *Our operations impact societies, people and their livelihoods as well as the environment*
- *100% sustainably sourced consists of two levels for us:*
  - *We develop basic level requirements for all suppliers further*
  - *We put extra effort on chosen value chains such as cocoa, grain, palm oil and soy*
- *We want to create an impact through cooperation, new innovations and using the best available sustainability practices*

We are working on clarifying our requirements for our suppliers and refining our processes for securing compliance. Although the work has been carried out for years, there are still things we can improve on. We continue our work with the identified categories where the sustainability risks are higher.

Long value chains pose a challenge for securing compliance with regulations. Certain categories also require extra efforts and actions. Waste and emissions in the value chain are an area that is particularly important for us in reducing scope 3 emissions.

**We will ensure that our materials are 100% sustainably sourced across all suppliers and chosen value chains.**

## Achievements in 2019

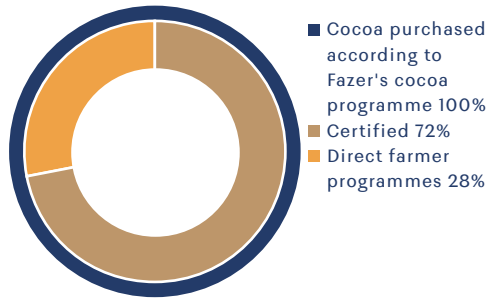
We continued with 100% sustainable cocoa, 100% sustainable palm oil and 100% sustainable soy. We are committed to increasing the share of segregated palm oil in our products and in 2019 the share was 47%. We still have challenges in changing to segregated palm oil in some of our products. We supported smallholder palm oil farmers through the smallholder palm oil credits, and our suppliers support them via actions on the ground, but we do not own special sustainability actions with the farmers. We received 13.5/ 22 points in the WWF Palm Oil Buyers Scorecard.

We continued our long-term cocoa sustainability work and 72% was sourced as certified through UTZ, Rainforest Alliance and Fairtrade cocoa programme, and 28% was via our direct farmer programmes in Nigeria and in Ivory Coast. Farmer trainings, farming practices development, women empowerment actions, crop diversification and community support activities were completed as planned. In addition, child labour monitoring and sensitisation actions continued, with no cases identified nor reported.

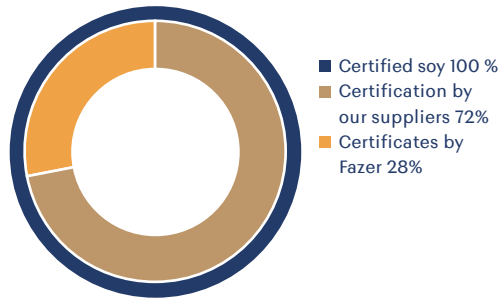
We reached 32% in cage-free eggs, continued shaping the Fazer Grain Vision and included carbon farming – sequestering carbon from the atmosphere into the soil – into the sustainable grain farming principles. The share of sustainable fish was 81%, we reached 82% in renewable electricity, focused on sustainable packaging and set goals for different businesses. We are reducing the use of single-use and other plastics and replacing them with biodegradable options. In 2019, we introduced a compostable box of pralines that is free of microplastics, the first output of the collaboration between Fazer and Sulapac.

We created a new supplier code of conduct to define our supplier requirements with more consistency and started defining KPIs for the compliance follow-up, also for our processes. We also collaborated with World Resource Institute to establish an understanding of the CO<sub>2</sub> emissions of our raw material purchases.

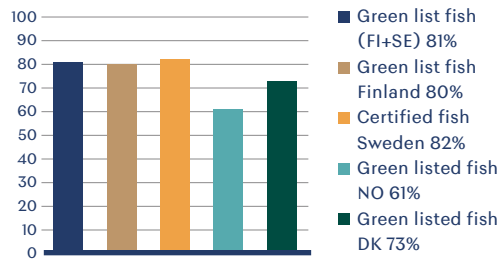
RESPONSIBLE COCOA STATUS



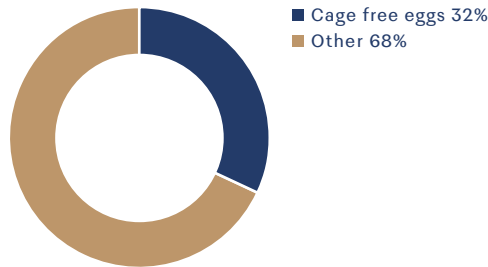
RESPONSIBLE SOY STATUS



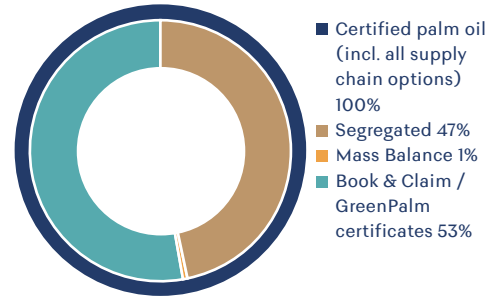
RESPONSIBLE FISH STATUS



CAGE FREE EGGS



RESPONSIBLE PALM OIL STATUS



## Going forward

We will continue to focus on the raw material and packaging material categories to both improve our performance in existing ones and to establish new categories, where we improve the level of sustainability. These categories are defined together with actors in our value chain and through our own evaluation and they include e.g. milk, fruits and coffee. We will continue to address social and environmental aspects in the materiality analysis for key categories, also as part of our commitment towards more sustainable products through the Swedish initiative Hållbar Livsmedelkedja ("Sustainable Food Chain").

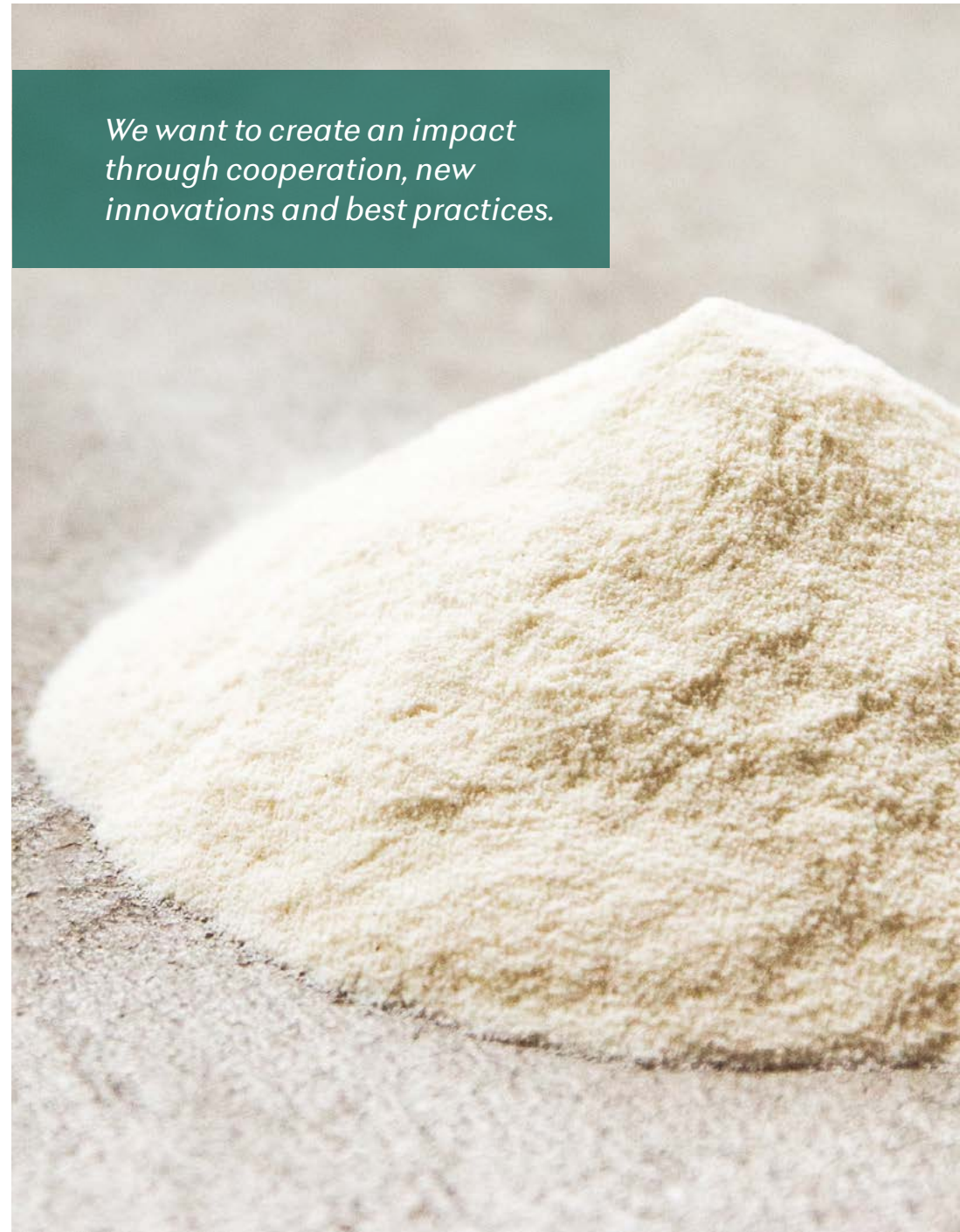
## CASE: Collaborating for sustainable grain and less emissions

In collaboration with the grain value chain and NGO experts, like the Baltic Sea Action Group, Fazer Procurement and Fazer Mills are implementing the Fazer Grain Vision, with ten sustainable farming principles as a framework for farmer engagement. Fazer Grain Vision's ten principles cover cutting the amount of farm leakage into surrounding waterways significantly.

Fazer has also joined the Carbon Action project where the aim is to combine carbon farming methods with sustainable grain farming principles. We are focusing on having the agricultural practices in use, so that we enable soil to store even more carbon than the carbon impacts of grain cultivation causes. Maintaining diversity is supported by ensuring crop rotation and additional winter crops, even secondary crops that remain after the grain harvest.

The goal is to take these practices outside of Finland and Sweden and to all flour suppliers, making it a prime example of one of our brand themes – True Relationships, where the value chain is rooted in deep collaboration.

*We want to create an impact through cooperation, new innovations and best practices.*



# Core goal 4: More plant-based



- *Fazer looks to respond to the consumers' quest for more healthy and sustainable lifestyles. One of the growth areas is the plant-based offering*
- *According to the Nordic Nutrition Recommendations, there is strong scientific evidence that fibre-rich plant foods contribute to decreased risk of many diseases*
- *There is a growing market opportunity for plant-based products. Eating more vegetables and less meat is moving from early adopters to mass market*

- *Consuming less meat and dairy products is the single biggest way to reduce your environmental impact on the planet*
- *We develop our offering based on growing food trends of flexitarianism and plant-based foods*
- *We increased the share of plant-based products in our offering from 36% to 48% from 2015 to 2019*

In 2018, we announced that we will develop our offering to reflect the favourable impacts of plant-based foods on both people and the planet. During 2019, we have analysed the baseline for this goal which dates back to the year 2015.

There is no legally binding definition of the terms “vegan” and “vegetarian”, which has been somewhat challenging, as some products may contain unintended traces of animal origin ingredients, such as milk. For the Core goal calculation, we have used the definition of vegan of the European Vegetarian Union (EVU). We are working on defining a clear target for the goal, even though the nature of each business is greatly different in each case.

**We will increase our plant-based offering to cater to healthy and sustainable tastes.**

## Achievements in 2019

We developed a common KPI, which we used to analyse the share of plant-based offering in each business unit for 2019. We also implemented our way of measuring and follow-up in all business areas and units. In addition, we defined what plant-based means: vegan products where no ingredients of animal origin are used, including additives and processing aids.

We have introduced new vegan versions of classics, such as the Pure Dark chocolate and Tutti Frutti.

At EAT Food Forum 2019, Fazer's core sustainability goals were presented through tasty and sustainable snacks. Collaboration with EAT Foundation brought concrete tools for measuring and understanding the carbon footprint of our raw materials.

## Going forward

We will continue to invest in R&D and product and service development as well as in new ingredients and technologies to increase healthy and sustainable plant-based offering across businesses. Increasing our share of tasty vegan products requires significant investments in testing and product development.

Communication with relevant stakeholders will be in an important role as our work continues, especially in research and strategic partnerships.

## CASE: Finding solutions with Solar Foods and oat innovations

With fearless creativity and cooperation, we can achieve great things and make our Core goals a reality. As testimony of Fazer's goals of providing sustainable experiences, we have entered into a strategic collaboration with Solar Foods, a Finnish food technology start-up.

Along with the collaboration, we will innovate across categories and find bold innovations that support the sustainability of people's lifestyles and the planet. The collaboration focuses on research on Solar Foods' novel Solein® protein and its applicability for different food applications. The ingredient is currently under rigorous testing to ensure food safety and is subject to novel food permission from the European Food Safety Authority.

Another example of our recent sustainable product innovations is the Fazer Yosa Oat Block, found in the chilled section of grocery shops. Fazer Yosa Oat Block is a new type of plant-based cooking product expanding the possibilities of plant-based cooking with an easy solution. Used for savoury cooking, it can be enjoyed in a range of ways as an alternative to e.g. cheese or tofu, or any other protein.

Fazer Yosa Oat Block was selected as one of the top 10 health foods for the year 2020 by MåBra, Sweden's largest health magazine and site.



*We develop our offering based on the growing trends of flexitarianism and plant-based foods.*

# Well-being for people

We want to provide a culture of diversity and inclusiveness where all employees can experience an equal working community with a motivating, respectful and safe work environment. We have finalised our e-learning on diversity and inclusion, and its rollout will take place in 2020. In 2019, 59% of our employees were women and 41% men.

We have continued to improve quality, occupational health and safety and environmental (QEHS) responsibility through internal programmes and third-party certifications of our management systems. Our lost time accident frequency increased by 4.3% from 2018. The year 2019 saw significant efforts put on safety communications across the company. Work has been done to address key issues through regular safety council meetings, safety reviews and active communication. Safety observations increased by 27% from 2018. We started implementing a group-wide safety system and safety culture development to ensure that safety risks and near misses are proactively identified. The first rollout was done in Finland, and the planning of new country rollouts is ongoing. We will continue to build safety culture aiming for zero accidents. We work on QEHS management in collaboration with our businesses and share best practises and expertise with Fazer's QEHS network.

We continue to invest in strengthening our Group-level leadership capabilities and growing internal entrepreneurship and agility. The Fazer Lead leadership programme pilot started in 2019, and we will continue the work in 2020 to ensure we build good leadership skills among all our leaders and managers. In addition, we continue to build our e-learning curriculum. E-learning materials were launched on the Quality, Environmental, Health and Safety Policy (QEHS), onboarding and sustainability.

**We want to have a positive impact on people and the planet. In our sustainability work, we ensure that we always provide an encouraging and safe working environment that allows development on both the company and individual level. We also need to support well-being and health through our products.**

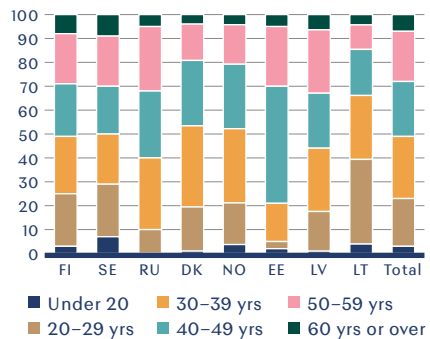
During the coming years, we will continue to invest in our people development agenda and in HR operational excellence. We want to support fact-based decision-making through investments in human resource information systems and analytics. We aim to develop a culture where our employees perform, engage and develop together. We also want to incorporate the brand themes into our daily work by securing equality and diversity, allowing people to shine as who they are and cherishing creativity to develop our business further. We shall update our values and behaviours, and they will be aligned with our brand themes. The dialogue on them involves all employees and started in early 2020.

As part of our work for promoting the health and well-being of people, we are leveraging our strong research and insight in nutrition. In our Fazer Brainhow programme, we study how nutrition, sleep, activity and recovery affect our cognition and well-being, applying this knowledge to creating innovative products and services that help boost well-being easily, every day.

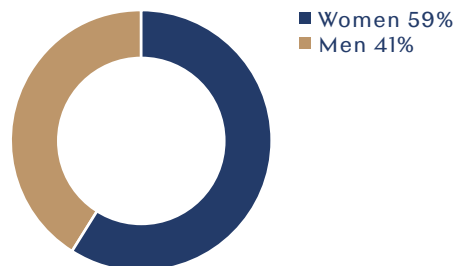
We take good care of our employees but ensuring the well-being of consumers is equally important. During 2019, we had three product recalls regarding food safety. Product recalls were made due to microbiological and allergen deviations. We shall also implement food safety monitoring and reporting model group wide for food safety related observations and deviations.

All our internal production sites have GFSI approved food safety management certifications (FSSC 22000 and/or IFS). We have continued food fraud and food defense mitigation actions. We have in most countries implemented an access control system.

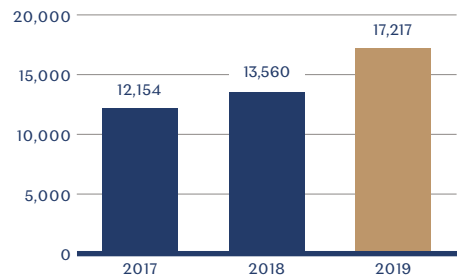
EMPLOYEES BY AGE, %



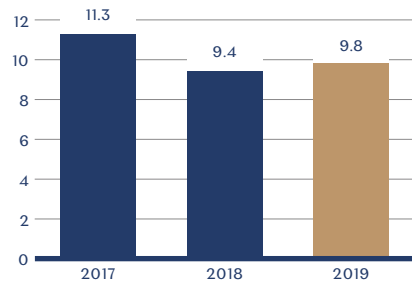
EMPLOYEES BY GENDER



SAFETY OBSERVATIONS



FREQUENCY OF OCCUPATIONAL ACCIDENTS (LTAF)  
NUMBER OF ACCIDENTS PER ONE MILLION WORKING HOURS



FREQUENCY OF OCCUPATIONAL ACCIDENTS (LTAF)

Number of accidents per one million working hours	2019	2018	2017	2016
Fazer Bakery	4.2	3.7	5.4	5.5
Fazer Confectionery	11.4	17.0	9.4	13.7
Fazer Food Services	14.9	14.9	18.8	19.5
Total in Group	9.8	9.4	11.3	12.1



# Sustainability throughout the businesses

In 2019, we focused on the implementation of our sustainability approach through the Core goals, taking into account the business needs and focus areas of each business area. The Core goals are also a way to address the risks that we see the climate change, loss of biodiversity, water scarcity, increase of food waste, adverse impacts on human rights and their implications can cause to our business.

We manage the risks via our management system, through our policies and guidelines and via implementing these in the daily operations through our businesses. We will further develop our issues management and risk management from the perspective of sustainability. We will also continue to monitor our reputation.

One way of addressing the risks is to be a part of common commitments within the food industry. In Sweden, we have committed ourselves to several initiatives, such as the trade association DLF's Transport initiative 2025 for fossil free transport, DLF Plastic initiative 2022, Fossil Free Sweden 2030, The Swedish Food Federation's sustainability manifesto and the work of Hållbar Livsmedelskedja ("Sustainable Food Chain") towards more sustainable production and consumption.

Ensuring the continuity of our business is an essential part of our sustainability work. The profitability of our operations is a prerequisite for growth, development and employment. We conduct our business in a fair and transparent way.

We conduct our business according to our ethical principles that apply to all employees in all business areas and countries of operation. These principles are based on our values and the UN Global Compact, which aims to promote corporate sustainable development and good corporate citizenship. We follow the UN's guiding principles on businesses and human rights and related processes.

**Continuously improving the sustainability of our operations is integral to our business. We want to be responsible across the value chain and our business units. As new food categories and regulatory requirements emerge, we comply with relevant legislation while ensuring business efficiency.**

We have continued the work related to human rights impact assessments and addressed issues discovered in them.

During 2019, 49 cases were reported through the whistleblowing system, which also allows third parties to report observed or suspected breaches of company policies or regulations. These cases were related, for example, to HR, QEHS, conflicts of interest and misuses of company assets. These have been investigated internally and the necessary measures have been taken. Nine cases are still open.

In 2019, we had three cases related to our marketing actions that were filed to "The Council of Ethics in Advertising". All cases were closed in our favour.

We are committed to preventing bribery in all our businesses. We have made a risk assessment of our operations and systematically monitor risks in all our businesses. We have a comprehensive anti-bribery programme in place, which includes an anti-bribery policy, training and eLearning, gift registration procedures, internal audits and a counterparty risk assessment.

Together with sourcing, QEHS and legal functions, we continuously develop our sourcing processes to ensure responsibility and compliance throughout the value chain. We have developed a Supplier Code of Conduct for all our suppliers. We continue the work to develop the transparency and traceability of our extensive value chain. By cultivating good relationships with our suppliers, we ensure the availability of high-quality raw materials in the future.

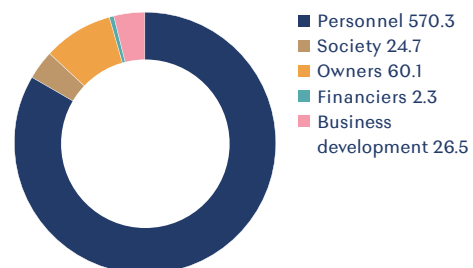


## ECONOMIC VALUE GENERATED AND DISTRIBUTED

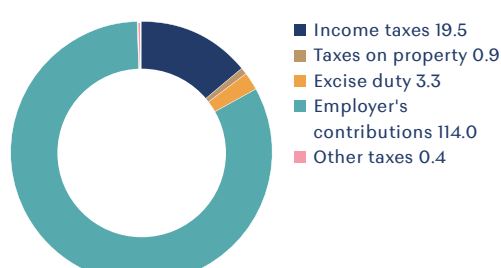
M€	2019	2018
<b>ECONOMIC VALUE GENERATED:</b>		
Customers (net sales, other operating income, financial income, sales of assets)	1.710	1.628
Suppliers		
Direct purchases	-606	-572
Indirect purchases	-363	-337
Operative investments	-57	-51
Added value	684	669
<b>ECONOMIC VALUE DISTRIBUTED:</b>		
Personnel (salaries, wages and other indirect employee costs)	-570	-545
Society (taxes and donations)	-25	-24
Owners (dividends)	-60	-61
Financiers (interest and other financial expenses)	-2	-2
Economic value retained in business	26	36



DIVISION OF ECONOMIC VALUE, M€

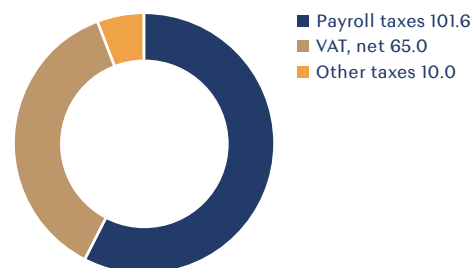


TAXES BORNE AND EMPLOYER'S CONTRIBUTIONS, M€<sup>\*)</sup>



\*) Insurance taxes and energy taxes not included.

TAXES COLLECTED, M€



# Board of Directors' report

In 2019, Fazer continued its transformation into a modern sustainable food company with a joint direction. The Group decided to sell Fazer Food Services in order to focus on its fast-moving consumer goods (FMCG) and direct-to-consumer businesses. The acquisition of Kaslink, an expert in high-quality oat-based food products, as well as the strategic decision to invest in doubling its oat milling capacity in Lahti, Finland and Lidköping, Sweden took Fazer closer to the goal of becoming the leading plant-based player in Northern Europe. Fazer started a 50-million-euro investment in the construction of a ground-breaking xylitol factory in Lahti, Finland, an innovation where side streams from oat milling will be used to produce xylitol, and production waste will be used as fuel in a bio-heating plant that will provide energy for Fazer's entire factory area. Furthermore, Fazer focused strongly on its 'consumer first' approach.

Fazer Group's continuing operations' net sales increased and operating profit decreased from the previous year. Fazer Food Services is reported as discontinued operations in the Financial Statements.

## Markets, business environment and sales

In Finland, the economic development continued to be positive, but the GDP growth slowed down from previous year. Also, the growth of the Swedish economy and Russia's GDP growth weakened from previous year. The biggest foreign currency impact on Fazer came from the Swedish krona, which weakened by 3% against the euro, and from the Russian rouble, which strengthened by 2% against the euro. The net impact of currency changes was negative on net sales but slightly positive on operating profit.

The Fazer Bakery business saw fierce competition especially in Sweden and Russia. At the same time, the business in Finland and the Baltics developed

positively, and Fazer Bakery increased its market share in Finland and Latvia. Artisanal bread maintained its popularity, and Fazer Bakery invested in artisanal baking through its shop-in-shop and bake-off concepts. As many as 21 new shop-in-shops were opened in Finland, and the concept was expanded to the Baltics. In the fresh pre-packed bread category, the new additions to Fazer Street Food, sourdough and oat products, were received well. Fazer Bakery's net sales increased by 2% to 565.2 M€ (2018: 552.3). Fazer Bakery business area organisation was simplified in October to bring decision-making closer to the customers. Value creation programmes are in place to increase operational efficiency in all Fazer Bakery's operations.

Fazer Confectionery's focus on profitable growth yielded excellent results, with increased sales in all key categories. Strong novelties and marketing campaigns generated growth in chocolate bars, candy bags, and chocolate tablets. Also, the seasonal portfolio continued its strong performance. Fazer Confectionery's net sales increased by 6% and reached 353.1 M€ (2018: 333.1). In Finland, Fazer's market share increased, and market share development was positive also in the majority of other markets. International growth was supported with strong development in Denmark, successful sales initiatives in Asia and the launch of Fazer Nordi premium chocolates in the US. Fazer Candy Store, opened in 2018 to serve consumers online, was extended in the end of 2019 to include products from all Fazer's business areas and renamed Fazer Store.

Fazer Lifestyle Foods offers interesting growth opportunities for Fazer. The non-dairy market continued its strong development, and the Fazer Yosa core offering progressed well in most markets. Growth in the smoothie category was not on the desired level, but actions are taken to improve the situation. Fazer Lifestyle Foods' net sales increased by 30% and amounted to 158.1 M€ (2018: 121.8). Strong investments into Fazer Lifestyle Foods' brands and categories continued to drive

the growth. Kaslink, a well-positioned player on the Finnish market with Nordic food offering including cooking products, drinks and snacks, was acquired. An investment decision of 30 million euros was made to double Fazer's oat milling capacity in Lahti, Finland and Lidköping, Sweden, to meet the growing demand for oats and provide top-quality ingredients for Fazer's businesses, in particular for the non-dairy, plant-based meals and breakfast categories. A ground-breaking 50-million-euro investment in building a xylitol manufacturing facility in Lahti was started.

The Fazer Retail business unit's net sales increased slightly to 47.1 M€ (2018: 46.4), despite the challenging market situation prevailing especially in Sweden. New players were increasing their market presence, and the share of unpacked bread was growing in the grocery channel. In 2019, Fazer Retail opened six new stores in new locations in Finland and Sweden.

The Fazer Experience Visitor Centre was visited by more than 230,000 people in 2019, which is a new record.

## Discontinued operations

Fazer is focusing on its FMCG and direct-to-consumer businesses. As part of this development and following the set strategy, Fazer Group announced the sale of the Fazer Food Services business to Compass Group in June. The sale was approved by the EU Commission's competition authorities on 28 January 2020 and was completed on 31 January 2020. In 2019, Fazer Food Services' performance improved from the previous year due to operational improvements and better contract retention, and its net sales reached 597.3 M€ (2018: 593.2). A programme focusing on four profit drivers – portfolio management, revenue management, margin management and fixed cost management – was successfully implemented to improve performance. Sales in comparable units grew in all countries but particularly in Finland. The value of new contracts signed exceeded the value of lost contracts, which supports the profitable growth plan.

Fazer Food Services is reported as discontinued operations in Fazer Group's Financial Statements. The result of discontinued operations is presented in the income statement net of tax under "Result for the period, discontinued operations" and the comparative information is restated accordingly. Assets

related to discontinued operations are reported in balance sheet as "Assets held for sale" and liabilities as "Liabilities related to assets held for sale". The balance sheet is not restated for comparative period. The cash flow statement is not restated, so it includes discontinued operations in 2019 and 2018.

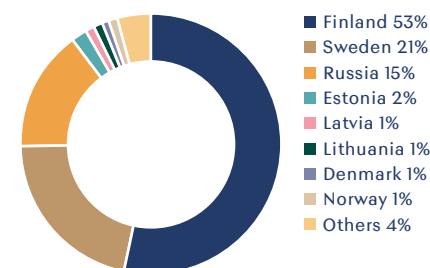
## Financial results for continuing operations

Fazer's net sales for the continuing operations increased by 7% from previous year and reached 1,097.0 M€ (1,029.2). The foreign exchange rate changes reduced the net sales by 4.4 M€. The businesses acquired in 2019 increased the net sales by 23.6 M€ compared to previous year.

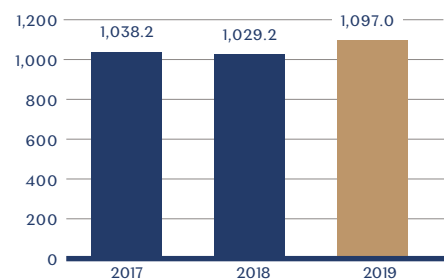
Operating profit for the continuing operations decreased to 49.1 M€ (55.9). Operating profit included 4.2 M€ (2.7) one-time restructuring costs and write-offs (net), mainly related to the restructuring of the bakery shop network in Sweden and the bakery operations in Russia as well as the closure of the Oulu bakery in Finland. The 2019 result was also burdened by 5.2 M€ costs related to the acquisition of Kaslink and expected credit losses related to a Russian retail chain that became insolvent. Profit for the financial period amounted to 38.9 M€ (41.6) for the continuing operations.

Key figures	2019	2018	2017
Net sales, M€	1,097.0	1,029.2	1,038.2
Operating profit, M€	49.1	55.9	60.5
- share of net sales, %	4.5	5.4	5.8
Return on equity, %	13.4	11.6	13.3
Equity ratio, %	52.6	56.8	55.1
Gearing, %	22.5	17.5	14.2

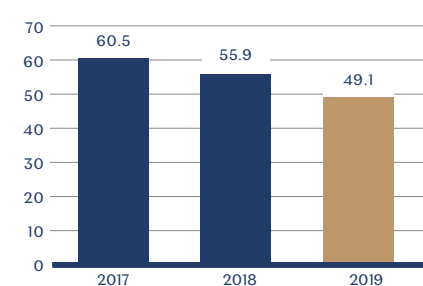
### NET SALES BY COUNTRY



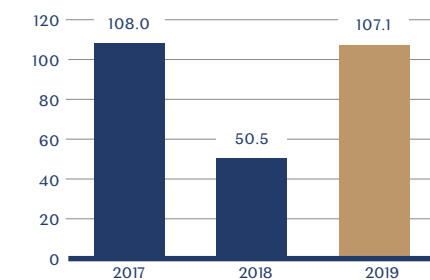
NET SALES, M€



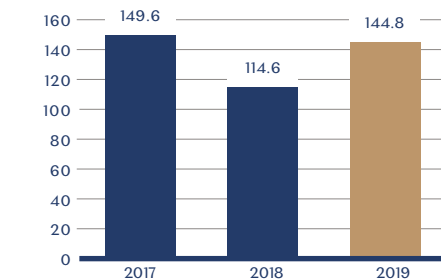
OPERATING PROFIT, M€



GROSS INVESTMENTS, M€



CASH FLOWS FROM OPERATING ACTIVITIES, M€

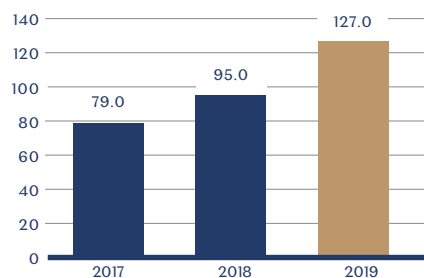


## Cash flow and financial position

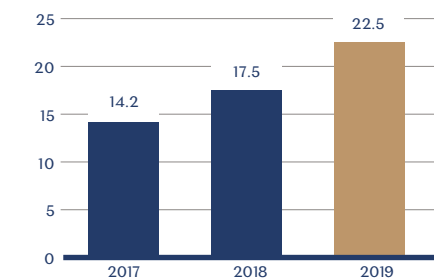
The Group's financial position remained strong. Reported interest-bearing net debt totalled 127.0 M€ (95.0) and gearing was 22.5% (17.5%). The Group's equity ratio was 52.6% (56.8%).

The Group's reported cash flow from operating activities was 144.8 M€ (114.6) and gross investments amounted to 107.1 M€ (50.5). Besides the Kaslink acquisition, majority of the investments were done in new production equipment and upgrades to the existing machinery in the bakery and confectionery operations as well as the construction of the new xylitol factory.

INTEREST-BEARING NET DEBT, M€



GEARING, %



## Personnel

At year-end, Fazer had 8,805 employees (8,884) in the continuing operations and 6,958 (6,857) in discontinued operations. Out of these, 65 (91) were employed by the parent company.

Personnel, continuing operations	2019	2018	2017
Number of employees, 31.12.	8,805	8,884	9,094
Number of employees, avg. FTE	7,532	7,646	7,589
Wages and salaries, M€	249.6	227.5	237.0

Personnel, discontinued operations	2019	2018	2017
Number of employees, 31.12.	6,958	6,857	6,939
Number of employees, avg. FTE	5,541	5,596	5,609
Wages and salaries, M€	196.0	196.2	196.3

## Strategy implementation

In 2019, Fazer continued the implementation of its strategy with the aim of transforming into a modern sustainable food company with a joint direction in Northern Europe and beyond. Fazer targets growth and value creation through portfolio choices, research and innovation, investments into foodtech, continued operational excellence and structural improvements.

In terms of portfolio choices, Fazer decided to focus on its FMCG and direct-to-consumer businesses and agreed to sell Fazer Food Services to Compass Group. This transaction was completed on 31 January 2020. In addition, Fazer strengthened the Fazer Lifestyle Foods business through the acquisition of Kaslink. With regard to innovation and foodtech, Fazer started to build a xylitol factory in Lahti, made the first Low Fodmap (Fazer LOFO) product launches and entered into a strategic partnership with Solar Foods to research the use of a new sustainable protein ingredient in future food applications. Fazer also decided to double its oat milling capacity to meet the growing demand for oats for the non-dairy, plant-based meals and breakfast categories. Focus on strategy implementation was clearly visible also in the Fazer Confectionery business, where strong emphasis was put on growth and operational excellence. This resulted in achieving 6% annual organic growth and starting the planning of a major upgrade of confectionery manufacturing operations. In Fazer Bakery, the focus was on the expansion of the shop-in-shop bakery business, achieving 24% annual organic growth, and on negotiations for the Vuohelan Herkku gluten-free bakery business, that was acquired in January 2020. Each of the businesses and Group functions continued seeking opportunities for operational excellence with a large number of value creation initiatives in implementation.

## Quality, environment, occupational health & safety and food safety

Fazer's quality, occupational health and safety and environmental management continued to improve through internal programmes and third-party certifications. During 2019, Fazer implemented a system for QEHS management in Finland. It ensured a more systematic accident and incident management, data availability

and transparency. Lost-time accident frequency increased by 15% from 2018 in the continuing operations.

In 2019, there were three product recalls regarding food safety. Product recalls were made due to microbiological and allergen deviations.

All Fazer's internal production sites have food safety management certifications (FSSC 22000 and/or IFS) approved by the Global Food Safety Initiative (GFSI), and food fraud and food defence mitigation actions continued. A new Group-wide access control system was implemented in most of the operating countries.

Fazer continued to engage in energy efficiency activities, started to work on its long-term energy plan for 2021 and onwards, and conducted regulatory energy audits in Finland. Waste reduction actions across the Group were carried out, focusing on preventing food waste and recycling side streams. As part of the water stewardship commitment, site specific water risk assessments were carried out, and this work continues. The energy consumption per produced tonne declined while waste, by-products and water consumption per produced tonne increased.

## Sustainability

During 2019, systematic work continued towards our sustainability targets for 2030. Fazer focused on implementing sustainability work through four Core goals: 1) 50% less emissions, 2) 50% less food waste, 3) 100% sustainably sourced and 4) more plant based. The highlights of Fazer's sustainability work in 2019 include systematic work to improve energy efficiency to reduce climate emissions, continued focus on food waste reduction and more focus on water related issues. Fazer continued its commitments on the sustainable sourcing of cocoa, grain, soy, palm oil, fish and cage-free eggs and increasing its offering of plant-based foods. In 2019, the development in the Core goals was following: the emissions declined, the amount of food waste increased slightly, the supplier requirements were clarified, and the sourcing related commitments continued. Further, the plant-based offering increased. Fazer's reputation remained on a good level in its main markets.

## Risk management

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. In 2019, one major risk was realised when Fazer Lifestyle Foods' Lidköping mill experienced a fire. Due to prompt actions by the personnel on the site, no personnel injuries occurred, the damage was limited and the impact on deliveries to customers was mitigated. Apart from this fire, no major risks were realised. For more information on financial risk management, see Note 11.3 to the Financial Statements.

## Research and development

In the nutrition and health research track, the first results of Fazer Brainhow clinical trials were published at international scientific congresses. The so-called Brave study showed the beneficial effects of a brain-friendly dietary pattern on cardiovascular health, cognitive performance and vitality. In the Power Meals study, protein-rich home meals improved protein intake, physical performance and health related quality of life in home-dwelling older people.

In the food technology research track, Fazer initiated Fazer Oathow, an R&D project with focus on oat ingredient technology. Moreover, Fazer and the Finnish start-up company Solar Foods entered into a strategic R&D partnership in order to co-develop a novel sustainable protein ingredient into new food products. The protein ingredient is made utilising carbon dioxide captured from air. Fazer's cooperation with universities continued and resulted in the publication of multiple master thesis works.

Research and development costs amounted to 9.3 M€ (8.5) for the continuing operations.

## Changes in Group legal structure

Fazer continued its work to simplify its legal structure. The changes in the Group legal structure are disclosed in Note 24 to the Financial Statements.

## Shares and share capital

At the end of 2019, the parent company had 3,958,763 preference shares and 2,365,200 ordinary shares. Preference shares carry a preferential right of at least 6% of the share's nominal amount, ahead of ordinary shares, for the annual dividend from the company's distributable profit. At the Annual Shareholders' Meeting, each ordinary share is entitled to ten votes and each preference share carries one vote.

## Board of Directors and auditors

At the Shareholders' Meeting on 3 April 2019, the following Board members were re-elected: Berndt Brunow (Chairman), Anders Dreijer (Vice Chairman), Klaus Cawén, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow and Juhani Mäkinen.

Authorised Public Accountants PricewaterhouseCoopers were chosen as auditors, with Authorised Public Accountant Martin Grandell as auditor-in-charge.

## Outlook for 2020

Fazer will continue its transformation, focusing on its FMCG and direct-to-consumer businesses. Development of Fazer's business and product portfolios will remain key cornerstones in implementing the strategy, along with the renewed Fazer brand and several growth initiatives. In addition to organic growth, active M&A work will continue to strengthen growth and internationalisation. Fazer will also strengthen its competitiveness further through its value creation programmes and the continuous development of its organisational and structural efficiency. In 2020, work to improve both net sales and operating profit continues but the outcome is subject to the development of the economy as a total which is highly impacted by the uncertainties caused by the Coronavirus (COVID-19).

## Events after the reporting period

In January 2020, Fazer announced plans to close its production facility in Kaarina, Finland and started collaboration negotiations affecting all employees at the Kaarina factory. Fazer has evaluated different options for increasing efficiency

in the production of Fazer Yosa oat products and enabling further growth, and in February 2020, decided to close the production facility in Kaarina and move the operations to Fazer’s factory in Korja.

Also in January 2020, Fazer announced the acquisition of Vuohelan Herkku’s bakery and mill businesses. Vuohelan Herkku is one of the forerunners in gluten-free baking in Finland and has a new gluten-free bakery in Lahti. Through this acquisition, Fazer becomes the market leader in gluten-free bakery products in Finland.

As part of Fazer’s shift of focus to the FMCG and direct-to-consumer business, Fazer Group announced the sale of Fazer Food Services to Compass Group in June 2019. The sale was approved by the EU Commission’s competition authorities on 28 January and took effect on 31 January 2020.

In February 2020, Fazer decided to reorganise the Finnish field sales forces of its businesses into two joint organisations: one for fresh goods and one for long shelf life products.

In March 2020, Fazer announced plans to change its supply chain and product development organisations in the confectionery business and started collaboration negotiations. Fazer has evaluated different alternatives to increase the efficiency of the cooperation between the supply chain and product development operations and come to the conclusion that the organisational structure could be changed in order to clarify roles and responsibilities.

In addition to other mitigation actions already ongoing due to the Coronavirus epidemic (COVID-19), Fazer started collaboration negotiations in March 2020 to temporarily lay off the entire personnel of some 400 persons in Fazer Ravintolat Oy (mainly Fazer Retail Finland).

## Proposal for distribution of profit

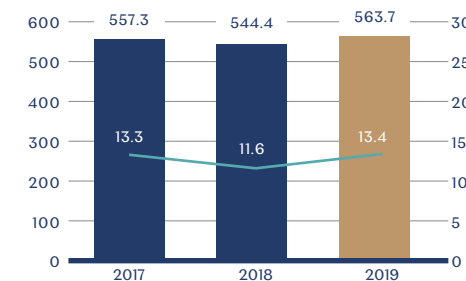
The parent company’s distributable funds amount to 623,953,740.60 euros of which 50,002,845.97 euros represent profit for the financial year.

The Board of Directors proposes to the Shareholders’ Meeting that distributable funds should be appropriated as follows:

- to pay a dividend of 9,10 euros per share	<b>57,548,063.30 €</b>
- to leave in profit brought forward	<b>566,405,677.30 €</b>
	<b>623,953,740.60 €</b>

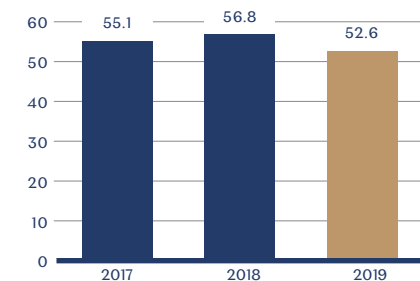
The proposed dividend does not pose any risk to the company’s financial standing.

EQUITY AND RETURN ON EQUITY



■ Equity, M€  
■ Return on equity (ROE), %

EQUITY RATIO, %



# Corporate Governance

The Corporate Governance of Oy Karl Fazer Ab and its subsidiaries (Fazer Group, Fazer or Group) follows the rules and regulations defined by the Articles of Association and the Finnish legislation and the corporate governance principles, which are based on the Finnish Companies Act and, to some extent, the recommendations for listed companies in Finland.

## Shareholders' Meeting

Shareholders at the Shareholders' Meeting hold the highest power of decision in the Fazer Group. The Annual Shareholders' Meeting is held at the latest in June in Helsinki or Vantaa. The Shareholders' Meeting addresses issues it is responsible for, according to current legislation and Fazer's Articles of Association, such as approving the Group's Financial Statements, deciding on dividend distribution, appointing the Board of Directors and auditors and deciding on their compensation.

According to the Articles of Association, notices of meetings for Shareholders' Meetings are posted at the latest 14 days before each Shareholders' Meeting.

## Board of Directors

The Owners' Council, appointed by shareholders, appoints and convenes the Nomination Committee, which is responsible for preparing proposals regarding the composition of the Board of Directors and the compensation of Board members. The Nomination Committee consists of one Owners' Council representative, the Chairman of the Board of Directors and one independent Board member.

## The composition and duties of the Board of Directors

According to Fazer's Articles of Association, the Board of Directors consists of no less than five and no more than ten members who are elected annually at the Shareholders' Meeting. The Board of Directors has general jurisdiction in all issues that are not required of other institutions under the Finnish Companies Act and the Group's Articles of Association. Under the terms of the Finnish Companies Act, the Board of Directors is responsible for ensuring that the Group's administration and operations are managed appropriately. The Board of Directors is responsible for ensuring that accounting and financial control are managed appropriately. Other tasks of the Board of Directors include e.g. approving the Group's values, strategy and annual business plans. The Board of Directors decides on acquisitions and strategic investments and monitors the financial performance and position of the Group. The Board of Directors appoints the Chief Executive Officer (CEO) and decides on the remuneration of the Group's senior management.

In addition, the Board of Directors assesses its own performance and cooperation with the management. The Board of Directors comprises Berndt Brunow (Chairman), Anders Dreijer (Vice Chairman), Klaus Cawén, Ketil Eriksen, Jan Fazer, Johan Linder, Cecilia Marlow and Juhani Mäkinen.

## Meeting practices

The Board of Directors holds at least eight meetings per year. The Annual Financial Statements are approved in April at the latest and the interim reports during each four-month period (each three-month period from 2020 onward). As a rule, the Group's strategy is approved in June. The business plans for the year and bonus programmes for senior management are approved at the first meeting of the year.



Additional meetings can be convened, if necessary, by the Chairman of the Board, the CEO or a member of the Board.

## Chairman of the Board of Directors

The Board of Directors appoints a chairman from amongst its members, who is responsible for managing the activities of the Board, convening the Board and preparing Board meetings together with the CEO. The Chairman works closely and actively with the CEO and should be well informed on significant issues affecting the company and its stakeholders. The Chairman and the CEO are responsible for ensuring that the members of the Board are informed about matters concerning the Company and that notices of meetings, agendas and all relevant documents are delivered to the members of the Board well in advance of meetings. The Chairman and the CEO are also responsible for maintaining contact with the Owner's Council.

## Committees of the Board of Directors

The Board of Directors makes decisions about appointing committees and their members. Committees are responsible for preparing issues coming up for decision at Board of Directors' meetings. Fazer's Board of Directors has appointed an Audit Committee and an HR Committee. The tasks of the Audit Committee are to take in-depth interest in audits, to control internal auditing, financial reporting and risk management and the company's financial situation and to participate in interim audits. The HR Committee is to prepare issues related to employment and rewarding the CEO and the Group's senior management, monitor the total compensation of the management and incentive programmes of the personnel and to evaluate the management's work including reviewing the employee satisfaction survey results.

The Audit Committee comprises Jan Fazer (Chairman), Anders Dreijer, Ketil Eriksen and Juhani Mäkinen. The Committee held four meetings during the financial period and, apart from ordinary issues, it dealt with questions related to e.g. information security and the development of non-core assets.

The HR Committee comprises Berndt Brunow (Chairman), Klaus Cawén, Johan Linder and Cecilia Marlow. The Committee has met three times during the financial period and prepared issues for the Board related to, for example, the Fazer people strategy, leadership development, and incentive programmes of the personnel.

## CEO and Deputy CEO

Fazer's Board of Directors appoints and dismisses, if needed, the CEO, who is also the Group President. Under the requirements of the Finnish Companies Act, the CEO is responsible for the day-to-day administration of the company, in line with the instructions of the Board of Directors, and for ensuring that the company's accounting is carried out in accordance with legal requirements and that the company's financial management is handled appropriately. The CEO reports to the Board of Directors and informs the Board of Fazer's operating environment, e.g. customers, competition and market situation and Fazer's financial position and development. The CEO is supported by the Group Management Team and the Deputy CEO, who is nominated by the Board of Directors, when needed. Christoph Vitzthum is the CEO and President whereas Jouni Grönroos is the Deputy CEO.

## Group Management Team

The Group Management Team consists of the CEO (Chairman), the Managing Directors (MD) of the Business Areas, and the Heads of certain Group functions. The duties of the Group Management Team are to support the CEO in his/her tasks and to draft propositions to the Board. The Group Management Team also e.g. coordinates operations across the Group and secures efficient operations on Group level. The current Group Management Team comprises Christoph Vitzthum (CEO & President, Chairman), Jouni Grönroos (CFO & Deputy CEO), Nathalie Ahlström (MD Fazer Confectionery), Sebastian Jägerhorn (EVP Legal & Compliance), Mats Liedholm (MD Fazer Lifestyle Foods), Ulrika Romantschuk (EVP Communications & Branding) and Lara Saulo (EVP, People & Transformation). Andreas Berggren (MD Fazer Food Services) was a member of the Group Management Team until 31.1.2020 when the sale of Fazer Food Services to Compass Group was closed.

## Risk management

Risk management is an important part of the management system of Fazer Group. The Board of Directors approves the risk management policy and monitors its compliance. Risk management's task is to support the implementation of the Group's strategy and business targets, secure the recognition of risks affecting the company's business, assess, monitor and anticipate threats and opportunities affecting business and secure the continuity of operations. The management of the Business Areas, Business Units and Group functions is responsible for the identification and evaluation of the risks of their respective areas and for mitigating these risks as part of their operative activities. Financial risks are administered by Group Finance. The Group's Chief Financial Officer (CFO) is responsible for the management and development as well as reporting of risk management to the Board and Audit Committee and also for supporting the Business Areas, Business Units and Group functions in risk management.

Fazer defines risk as external or internal uncertainty that may affect the Group in the execution of its strategy, achievement of its goals or continuity of its businesses. Risks may be caused by events within Fazer, or by external conditions or events. For the identification and monitoring of risks, these are divided into four categories: strategic risks, operational risks, hazard risks and financial risks.

### STRATEGIC RISK

Adaptability, markets  
and customers,  
business development

Strategic risks are external risks that affect the whole industry (change in demand, raw material availability, change in regulation, change in competitive field, etc.) or self-inflicted risks due to strategic choices (new business development, M&A, partnerships, dependency on one market/customer, corporate social responsibility, etc.). Focus on strategic period: 3–5 years.

### OPERATIONAL RISK

Personnel, processes and  
controls, operational  
framework

Operational risks are related to the implementation of the strategy and everyday business activities. These include, for example, supply chain efficiency, customer relations, raw material prices, managing projects, IT, security and personnel related risks. Focus on budgeting period: 1–2 years.

### HAZARD RISK

Property, liability,  
health and safety

Hazard risks comprise errors, malfunctions and accidents that occur within Fazer or in the business environment and that cause damage or loss.

### FINANCIAL RISK

Foreign exchange, interest  
rate, liquidity, funding,  
counterparty

Financial risks are related to changes in market prices, the sufficiency of financial assets and the ability of counterparties to meet their financial obligations.

The most significant risk related to Fazer's operations includes raw material risks (price and availability risks mitigated with e.g. hedging and contractual arrangements), risks related to customers and consumer demand (mitigated with e.g. portfolio and brand management), product safety risks (mitigated with e.g. food safety management and quality certifications), political environment (mitigated with e.g. close monitoring of political development) and hazard risks (mitigated with e.g. Group insurance programmes, regularly updated risk analyses and continuity plans for all key plants as well as investments in workplace safety to prevent occupational accidents and risk of occupational diseases). These risks together or separately may have an effect on Fazer's business, results, financial standing, competitiveness or reputation.

Climate change affecting raw material availability, price and quality as well as water-related risks are recognised risks for food production. Fazer has recognised potential risks compromising human rights or unethical practices that may occur especially within the value chains. Any possible risk related to the realisation of human rights, anti-corruption or bribery is managed with the help of personnel training, internal policies and audits. Human rights related risks are also mitigated by following UN Guiding Principles on businesses and human rights and processes described in these guiding principles. Fazer has implemented a whistleblowing system that provides an opportunity to report suspicions of misconduct. It is available to employees and external parties.

## Internal audit

Internal audit evaluates the efficiency and suitability of different operations and monitors the functioning of internal control. It is to make sure that financial and operative reporting is reliable and that the approved operating principles and given instructions are complied with. Internal audit drafts an annual audit plan, the results of which are regularly reported to the Group Management, auditors and the Audit Committee. Internal Audit reports to the Audit Committee.

## Auditors

The Group's auditors are appointed by the Shareholders' Meeting for a term of one year. The auditors are responsible for auditing the Group's accounts, financial statements and administration. The details of these duties are contained in the relevant legislation and regulations covering good auditing practices. The auditors participate in the Annual Meeting of the Board of Directors devoted to consideration of the Group's Financial Statements and to meetings of the Audit Committee.

## Ethical principles of Fazer Group

Fazer's ethical principles are based on Fazer's common values and international principles drawn up by the UN Global Compact, which aims to promote good corporate citizenship and sustainable development. The ethical principles of Fazer Group guide Fazer's employees in treating customers, cooperation partners and work colleagues in an equal and fair way.

Through the ethical principles, Fazer as an employer is committed to providing all its employees in every country with modern and safe working conditions, and to ensuring the employees' health, occupational well-being and work satisfaction, as well as treating every employee in an equal manner.

# Board of Directors



**Berndt Brunow**

b. 1950

Master of Economic Sciences  
Chairman of the Board of Directors  
of Oy Karl Fazer Ab 2009–  
Chairman of the HR Committee



**Anders Dreijer**

b. 1953

Master of Science (Technology)  
Vice Chairman of the Board of  
Directors of Oy Karl Fazer Ab 1994–  
Member of the Audit Committee



**Klaus Cawén**

b. 1957

Master of Laws  
Member of the Board of Directors  
of Oy Karl Fazer Ab 2002–  
Member of the HR Committee



**Ketil Eriksen**

b. 1963

Bachelor of Science (Economics)  
Member of the Board of Directors  
of Oy Karl Fazer Ab 2009–  
Member of the Audit Committee



**Jan Fazer**

b. 1975

Member of the Board of Directors  
of Oy Karl Fazer Ab 2012–  
Chairman of the Audit Committee



**Johan Linder**

b. 1959

Master of Laws  
Member of the Board of Directors  
of Oy Karl Fazer Ab 2000–  
Member of the HR Committee



**Cecilia Marlow**

b. 1960

Master of Business Administration  
Member of the Board of Directors  
of Oy Karl Fazer Ab 2016–  
Member of the HR Committee



**Juhani Mäkinen**

b. 1956

Master of Laws, lagman  
Member of the Board of Directors  
of Oy Karl Fazer Ab 2006–  
Member of the Audit Committee

# Group Management Team



**Christoph Vitzthum**  
b. 1969  
Master of Economic Sciences  
President and CEO, Fazer Group



**Jouni Grönroos**  
b. 1965  
Master of Economic Sciences  
CFO and Deputy CEO, Fazer Group



**Nathalie Ahlström**  
b. 1974  
Master of Science (Technology)  
Managing Director, Fazer  
Confectionery and Executive Vice  
President, Fazer Group



**Sebastian Jägerhorn**  
b. 1969  
Master of Laws  
Master of Economic Sciences  
Legal and Executive Vice  
President, Fazer Group



**Mats Liedholm**  
b. 1965  
Master of Sciences (Marketing  
and International Business)  
Managing Director, Fazer  
Lifestyle Foods and Executive  
Vice President, Fazer Group



**Ulrika Romantschuk**  
b. 1966  
Bachelor of Political Science  
Communications & Branding  
and Executive Vice President,  
Fazer Group



**Lara Saulo**  
b. 1972  
Master of Economic Sciences  
People & Transformation and  
Executive Vice President,  
Fazer Group

# Financial Information

Fazer wants to provide meaningful and relevant information in a transparent way. To this end, Fazer is following International Financial Reporting Standards (IFRS) and reports its financial statements in accordance with them. IFRS is the most commonly used set of accounting standards, contributing to the comparability of reported figures. It also facilitates the integration of acquired companies. It is a good foundation for common accounting principles for an international group such as Fazer.



# Consolidated income statement

M€	2019	2018
<b>Continuing operations</b>		
<b>Revenue</b>	<b>1,097.0</b>	<b>1,029.2</b>
Other operating income	28.8	20.6
Change in finished goods and work in progress	1.1	-3.4
Materials and services	-406.7	-370.5
Employee benefits expenses	-316.3	-289.5
Depreciation, amortization and impairment	-62.1	-65.0
Other operating expenses	-292.9	-265.6
Share of profit/loss of associated companies	-	-
<b>Operating profit</b>	<b>49.1</b>	<b>55.9</b>
<b>Financial income and expenses</b>		
Financial income	4.9	1.4
Financial expenses	-2.3	-3.8
<b>Total financial income and expenses</b>	<b>2.5</b>	<b>-2.3</b>
<b>Profit before income tax</b>	<b>51.6</b>	<b>53.5</b>
Income tax	-12.7	-11.9
<b>Result for the period, continuing operations</b>	<b>38.9</b>	<b>41.6</b>
<b>Result for the period, discontinued operations</b>	<b>35.4</b>	<b>22.3</b>
<b>Result for the period</b>	<b>74.4</b>	<b>63.9</b>
<b>Result from continuing operations attributable to</b>		
Owners of the parent company	36.7	40.1
Non-controlling interests	2.2	1.6
<b>Result from discontinued operations attributable to</b>		
Owners of the parent company	29.7	18.5
Non-controlling interests	5.8	3.8
<b>Result attributable to</b>		
Owners of the parent company	66.4	58.5
Non-controlling interests	8.0	5.3

# Consolidated statement of comprehensive income

M€	2019	2018
<b>Profit for the year</b>	<b>74.4</b>	<b>63.9</b>
<b>Other comprehensive income</b>		
Items that may be classified to profit or loss		
Cash flow hedges	0.2	0.3
Translation differences	5.2	-16.0
Income tax relating to these items	0.0	-0.1
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	-0.2	-0.2
Income tax relating to these items	0.0	0.0
<b>Other comprehensive income, net of tax</b>	<b>5.2</b>	<b>-16.0</b>
<b>Total comprehensive income for the period</b>	<b>79.6</b>	<b>47.9</b>
Of which attributable to discontinued operations	36.5	22.0
<b>Attributable to</b>		
Owners of the parent company	69.3	46.0
Non-controlling interests	10.3	1.9
<b>Total comprehensive income for the period attributable to the owners of the parent company</b>		
Continuing operations	38.7	27.7
Discontinued operations	30.6	18.3
<b>Total</b>	<b>69.3</b>	<b>46.0</b>
<b>Total comprehensive income for the period attributable to non-controlling interests</b>		
Continuing operations	4.3	-1.8
Discontinued operations	6.0	3.7
<b>Total</b>	<b>10.3</b>	<b>1.9</b>



# Consolidated balance sheet

ME	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	158.6	158.7
Intangible assets	49.0	52.0
Property, plant and equipment	411.9	408.9
Investments in associated companies	-	1.2
Other non-current financial assets	3.1	3.1
Other non-current receivables	5.2	2.0
Deferred tax assets	0.5	1.1
<b>Total non-current assets</b>	<b>628.2</b>	<b>627.0</b>
<b>Current assets</b>		
Inventories	86.5	91.8
Trade and other receivables	139.7	198.9
Other current financial assets	2.0	-
Income tax receivables	3.5	3.0
Cash and cash equivalents	40.6	39.3
<b>Total current assets</b>	<b>272.2</b>	<b>332.9</b>
Assets held for sale	171.9	-
<b>TOTAL ASSETS</b>	<b>1,072.4</b>	<b>959.9</b>

ME	31 Dec 2019	31 Dec 2018
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	126.5	126.5
Other reserves	0.1	0.0
Retained earnings	367.5	358.5
<b>Equity attributable to the owners of the parent company</b>	<b>494.1</b>	<b>484.9</b>
Non-controlling interests	69.6	59.4
<b>Total equity</b>	<b>563.7</b>	<b>544.4</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	33.1	51.7
Deferred tax liabilities	17.9	16.6
Pension obligations	4.2	4.2
Provisions	1.8	2.0
Other non-current liabilities	6.9	8.8
<b>Total non-current liabilities</b>	<b>63.8</b>	<b>83.4</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	134.4	82.6
Trade and other payables	191.1	244.8
Provisions	0.5	0.6
Income tax liabilities	1.6	4.2
<b>Total current liabilities</b>	<b>327.7</b>	<b>332.2</b>
<b>Total liabilities</b>	<b>391.6</b>	<b>415.6</b>
Liabilities related to assets held for sale	117.1	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,072.4</b>	<b>959.9</b>

# Consolidated statement of cash flows

M€	2019	2018
<b>Cash flows from operating activities</b>		
Result for the period	74.4	63.9
Adjustments <sup>(1)</sup>	82.2	95.6
Change in working capital <sup>(2)</sup>	12.1	-19.3
Interest received	1.6	1.3
Interest paid	-1.5	-1.4
Other financial income and expenses, net	-1.5	-1.7
Dividends received	0.3	0.2
Income taxes paid	-22.8	-24.0
<b>Net cash from operating activities</b>	<b>144.8</b>	<b>114.6</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible and intangible assets	-57.5	-50.5
Business acquisitions	-47.6	-
Investments in financial assets	-2.0	-
Proceeds from sale of tangible and intangible assets	0.8	1.6
Proceeds from sale of other financial assets	-	21.9
Proceeds from sale of businesses	8.8	-
Repayment of loan receivables	2.8	-
<b>Net cash from investing activities</b>	<b>-94.7</b>	<b>-27.0</b>
<b>Cash flows from financing activities</b>		
Repayment of current debt	-34.2	-8.7
Proceeds from current debt	12.2	18.2
Net cash flows from commercial papers	61.0	-11.5
Repayment of leasing debt	-25.3	-24.6
Dividends paid	-60.2	-60.9
<b>Net cash from financing activities</b>	<b>-46.5</b>	<b>-87.5</b>
<b>Net increase (+) decrease (-) in cash and cash equivalents</b>	<b>3.6</b>	<b>0.1</b>
Cash and cash equivalents at the beginning of the period	39.3	40.3
Exchange rate difference	0.3	-1.0
<b>Cash and cash equivalents at the end of the period</b>	<b>43.2</b>	<b>39.3</b>

M€	2019	2018
<b>1) Adjustments</b>		
Depreciations, amortisations and impairments	70.1	81.3
Income taxes	22.0	17.8
Share of result in associated companies	-0.4	-0.3
Financial income and expenses	-2.4	2.6
Non-cash income and expenses	-2.3	-6.2
Other non-operating adjustments	-4.7	0.4
<b>Total adjustments</b>	<b>82.2</b>	<b>95.6</b>
<b>2) Change in working capital</b>		
Decrease (+) / increase (-) in inventories	1.4	-3.1
Decrease (+) / increase (-) in trade and other receivables	-10.4	1.5
Decrease (-) / increase (+) in trade and other payables	21.2	-17.7
<b>Change in working capital</b>	<b>12.1</b>	<b>-19.3</b>

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

# Five-year summary

	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS	2016 FAS	2015 FAS
<b>Income statement</b>						
Net sales, M€ *)	1,097.0	1,029.2	1,038.2	1,603.1	1,603.5	1,576.1
Net sales outside Finland, % *)	46.8%	48.6%	50.6%	50.6%	50.6%	51.4%
Operating profit, M€ *)	49.1	55.9	60.5	90.1	52.7	44.3
Operating margin, % *)	4.5%	5.4%	5.8%	5.6%	3.3%	2.8%
Profit before tax, M€ *)	51.6	53.5	58.2	89.3	54.9	41.4
% of net sales *)	4.7%	5.2%	5.6%	5.6%	3.4%	2.6%
Result for the period, continuing operations, M€	38.9	41.6	47.4			
Result for the period, discontinued operations, M€	35.4	22.3	24.8			
Result for the period, M€	74.4	63.9	72.1	70.5	36.6	23.7
Attributable to owners of the parent, M€	66.4	58.5	63.4	62.0	29.4	19.4
Attributable to non-controlling interests, M€	8.0	5.3	8.8	8.5	7.3	4.4
<b>Balance sheet</b>						
Non-current assets, M€	628.2	627.0	650.9	604.4	497.3	472.0
Inventories, M€	86.5	91.8	90.3	82.5	79.3	78.7
Other current assets, M€	185.8	241.2	272.1	291.4	291.3	290.2
Assets held for sale, M€	171.9					
Equity attributable to the owners of the parent, M€	494.1	484.9	499.0	478.1	443.2	430.9
Non-controlling interest, M€	69.6	59.4	58.3	51.7	51.5	41.9
Liabilities, M€	391.6	415.6	456.0	448.6	373.1	368.1
Liabilities related to assets held for sale, M€	117.1					
Balance sheet total, M€	1,072.4	959.9	1,013.3	978.3	867.9	840.9
<b>Key figures</b>						
Gross investments, M€	107.1	50.5	108.0	104.6	104.6	61.7
Depreciations and impairments, M€ *)	62.1	65.0	65.4	74.3	51.0	52.3
Amortization of goodwill and impairments, M€ *)	-	-	-	0.1	35.2	35.1
Interest-bearing net debt, M€	127.0	95.0	79.0	57.3	-17.6	-17.3
Gearing, %	22.5%	17.5%	14.2%	10.8%	-3.6%	-3.7%
Return on equity, % (ROE)	13.4%	11.6%	13.3%	14.1%	7.6%	4.8%
Equity ratio, %	52.6%	56.8%	55.1%	54.2%	57.1%	56.3%
Personnel (FTE) *)	7,532	7,646	7,589	13,287	13,287	13,416

\*) Figures for years 2019-2017 are presenting continuing operations.

In balance sheet assets related to discontinued operations are reported for year 2019 as 'Assets held for sale' and liabilities as 'Liabilities related to assets held for sale'.

Key figures have been calculated correspondingly according to above mentioned income statement and balance sheet presentation principles.

# Calculation of key figures

$$\text{Return on equity (ROE)} = \frac{\text{Result for the period}}{\text{Equity (on average)}} \times 100$$

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Equity} + \text{liabilities} - \text{advances received}} \times 100$$

$$\text{Gearing} = \frac{\text{Interestbearing liabilities} - \text{cash and cash equivalents}}{\text{Equity}} \times 100$$