Oy Karl Fazer Ab

Financial statements

1.1. - 31.12.2020

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Board of Directors' Report

The year 2020 was clearly defined by the global COVID-19-pandemic and related disruptive challenges. All of Fazer's markets were impacted by the pandemic but, thanks to several agile measures and the professionalism of Fazer employees, Fazer showed clear resilience to the prevailing crisis.

Throughout the year, Fazer continued its transformation into a modern, sustainable fast-moving consumer goods (FMCG) company, supported by the divestment of Fazer Food Services. The implementation of a new operating model was started, including changes in the commercial organisation, in marketing and in procurement, as well as reorganising Group functions. Actions to increase efficiency in manufacturing included transferring the production of xylitol pastilles and chewing gum from the factory in Karkkila to Lappeenranta and the production of Fazer Yosa oat products from Kaarina to Koria. During the year, several measures were taken to drive operational excellence, synergies and value.

After the review period, Fazer announced the introduction of a new operating model in Fazer Bakery Sweden. The new model includes a re-seller and co-distribution agreement with the Swedish bakery sales company Polfärskt and reduces the number of bakeries from four to three.

In 2020, net sales from continuing operations remained at the previous year's level and the operating profit improved.

Operating environment and market development

Fazer's main focus in its operations is in the bakery, confectionery, non-dairy and plant-based food and milling markets through its three Business Areas: Fazer Bakery, Fazer Confectionery and Fazer Lifestyle Foods. Fazer Retail, previously a separate business, was integrated with the Fazer Confectionery Business Area in 2020. In addition, the crisp business was transferred from Fazer Bakery to Fazer Confectionery. Geographically, the Group's main markets are the Nordics, Russia and the Baltics with export sales to approximately 40 countries globally.

Consumer behaviour changed in several ways in 2020 due to the exceptional situation. The economic uncertainty affected the level of price sensitivity as the popularity of value alternatives increased. Locally produced food and raw materials continued to appeal to consumers looking for transparency and safety. Domestic travel further supported this development. Home cooking increased as people increased remote working, and restaurants were either closed or avoided. Social distancing also brought a substantial increase in online shopping and food deliveries.

Certain trends which existed pre-COVID saw a clear acceleration but also polarised some consumption drivers. Well-being as a trend has been growing for years, and it further accelerated as people increasingly acknowledged the role of food as part of a healthy lifestyle. During the pandemic, hygiene quickly became a preference driver which very soon took its toll on, for example, unpacked products such as pick 'n' mix sweets.

In Finland, the bakery market was affected by the pandemic in the spring but turned back to growth towards the end of the year. The bake-off market recovered fast, while the fresh pre-packed market performed strongly throughout the year as demand for packed bread increased substantially. Demand for frozen products declined as restaurants and hotels faced restrictions and closures. In Sweden, the market grew throughout the year. In Russia, the market started to gradually recover towards the end of the year but, due to increased price sensitivity, lower-price bakery segments continued to grow throughout the year. The development was similar also in the Baltics. Fazer is mainly known as a premium brand in the Baltic countries and Russia.

The confectionery market grew in Finland and Sweden. In Finland, Fazer's market share remained close to last year's level, and in Sweden, Fazer gained market share. The travel retail market, an important market for Fazer, was heavily impacted throughout the year by the travel restrictions imposed from the start of the pandemic. Remote work, restrictions and recommendations regarding gatherings alongside general cautiousness affected customer traffic, especially in city centres and malls, and, as a consequence, also cafés and bakery shops were impacted.

In Fazer Lifestyle Foods, the non-dairy market continued to grow, and the breakfast category strengthened. Demand for oat and rye flour remained strong in the milling business. The smoothie category declined particularly in the on-the-go channels as consumers reduced their everyday travelling and commuting due to COVID-19.

Discontinued operations

The sale of the Fazer Food Services business to Compass Group was completed on 31 January 2020. Fazer Food Services is reported as discontinued operations in Fazer Group's Financial Statements for 2019 as well as for the one-month period ending 31 January 2020. In 2020, Fazer Food Services' net sales totalled 50.8 M€ (597.3). The result of discontinued operations includes a 414.3 M€ gain of the sales of Fazer Food Services operations. The result of discontinued operations is presented in the income statement net of tax under "Result for the period, discontinued operations". As a result of sales of Food Services operations, there were no assets or related liabilities classified as assets held for sale at year end 2020. For the comparative period assets related to discontinued operations are reported in the balance sheet as "Assets held for sale" and liabilities as "Liabilities related to assets held for sale". The cash flow statement includes discontinued operations in 2019 and 2020.

Financial performance of continuing operations

Key figures	2020	2019	2018
Net sales, M€	1,101.2	1,097.0	1,029.2
Operating profit, M€	51.9	49.1	55.9
- share of net sales, %	4.7	4.5	5.4
Return on equity, %	58.8	13.4	11.6
Equity ratio, %	70.7	52.6	56.8
Gearing, %	-22.8	22.5	17.5

Net sales and profitability

Fazer's net sales remained at the previous year's level and totalled 1,101.2 M€ (1,097.0). The foreign exchange rate changes reduced the Group's net sales by 18.6 M€. The businesses acquired in 2020 i.e. Vuohelan Herkku increased net sales by 5.3 M€ compared to previous year.

Fazer Bakery's net sales for 2020 remained at the previous year's level and totalled 548.6 M€ (555.6 in 2019 excluding the net sales of the crisp business transferred to Fazer Confectionery). Fazer acquired Vuohelan Herkku's bakery and mill businesses in January 2020, making Fazer one of the biggest players in gluten-free bakery products in Finland. In Finland, demand for Fazer's packed bread increased strongly when the COVID-19 pandemic started. Sales of frozen products were negatively impacted as restaurants and hotels faced restrictions and closures. Demand slowly recovered towards the end of the year. The shop-in-shops sales declined steeply in the beginning of the crisis but recovered fast and reached record levels towards the end of the year. At the end of 2020, Fazer had a total of 105 shop-in-shops in Finland. In Sweden, sales increased in all channels as a result of strong product launches in strategic segments and good development in export. Fazer Bakery strengthened its market position in Russia, with growth in bake-off bread and increased sales through new digital sales channels. In the Baltics, financial insecurity caused by the COVID-19 pandemic shifted consumer interest from premium towards mainstream products. A similar trend was also observed in Russia. In the Baltics, price competition increased as new players entered the market. Two new shop-in-shop bakeries were opened in Estonia, where Fazer currently has 5 shop-in-shops in total. Turnaround programmes to increase operational efficiency in Fazer Bakery's operations in Sweden and Russia were efficient and resulted in improved performance.

Fazer Confectionery's net sales declined by 2.3% from the previous year and totalled 400.1 M€ (409.4 in 2019 including net sales of the Fazer Retail and crisp business transferred to Fazer Confectionery). The decline was attributable to Fazer Retail, where the Fazer Café and Gateau businesses were heavily impacted by COVID-19 related restrictions, as well as to the complete standstill in Travel Retail. Confectionery sales in Finland, Sweden, Denmark, Russia and the Baltics were relatively stable. Sales especially in Finland, were supported by the consumer tendency to rely on well-known brands in uncertain times. COVID-19 changed consumer behaviour, which led to the polarisation of demand. Chocolate tablets continued to sell well and there was strong growth in candy bag sales, whereas demand in biscuit, pick & mix and products in the impulse category, such as pastilles and chewing gum, decreased. Seasons are very important for Fazer. In 2020, Easter and Halloween sales suffered from the restrictions, whereas Christmas sales exceeded expectations, especially in Finland and Sweden. The standstill of the Travel Retail sales resulted in some lost net sales and temporary layoffs at the Vantaa and Lappeenranta factories. Strong novelties and marketing campaigns generated growth in chocolate bars, candy bags, and chocolate tablets and the seasonal portfolio continued its strong performance.

Fazer Lifestyle Foods' net sales grew by 11.8% to 176.7 M€ (158.1). Growth was attributable to sales from Kaslink, acquired in August 2019. Demand for breakfast products was at a good level, whereas on-the-go categories such as smoothies and juices faced challenges. Net sales were negatively impacted by the decline in on-the-go snacking and the standstill in the hotel and restaurant sector as well as in the travel related channels. To meet the growing demand for oats and to provide top-quality ingredients for Fazer's businesses, in particular, for the non-dairy, plant-based meals and breakfast categories, Fazer started the doubling of the oat milling capacity in Lahti, Finland and Lidköping, Sweden. The investment project progressed according to plan, and additional capacity will be available during 2021.

Operating profit for the continuing operations improved and was 51.9 M€ (49.1). Operating profit included 6.2 M€ (4.0) one-time restructuring costs and write-offs (net), mainly related to manufacturing efficiency improvement measures in Fazer Confectionery and Fazer Lifestyle Foods, turnaround programmes in Fazer Bakery's operations in Sweden and Russia, the revaluation of Russian land plots and recognition of Vuohelan Herkku negative goodwill. The 2020 result was also burdened by 2.7 M€ (5.9) additional one-time costs and write-offs mainly related to the acquisition of Vuohelan Herkku, divestment of Fazer Food Services and implementation of Fazer accounting principles in acquired companies. The profit for the financial period amounted to 32.6 M€ (38.9) for the continuing operations.

Financial position and cash flow

The Group's financial position was further strengthened as a result of the divestment of the Fazer Food Services business. Reported interest-bearing net debt totalled -213.3 M€ (127.0) and gearing was -22.8% (22.5%). The Group's equity ratio was 70.7% (52.6%).

The Group's reported cash flow from operating activities was 152.4 M€ (144.8) and gross investments amounted to 104.1 M€ (107.1), excluding investments in financial assets. Majority of the large investments were done in Fazer Lifestyle Foods in the new xylitol factory, oat mill expansions in Finland and Sweden and non-dairy production equipment in Koria. Other important investments included new production equipment and upgrades to the existing machinery in Fazer Bakery and Fazer Confectionery.

Personnel

At year-end, Fazer had 8,496 employees (8,805) in the continuing operations and none (6,958) in discontinued operations. Fazer Bakery employed 5,880 (5,903), Fazer Confectionery 1,904 (2,113), Fazer Lifestyle Foods 428 (471) and shared functions of the Group 284 (318) at the end of the year.

Personnel, continuing operations	**2020**	**2019**	**2018**
Number of employees, 31.12.	8,496	8,805	8,884
Number of employees, avg. FTE	7,316	7,532	7,646
Wages and salaries, M€	251.8	249.6	227.5

Number of employees 31.12. by country continuing operations	2020	2019	2018
Finland	3,681	3,808	3,527
Russia	2,376	2,416	2,894
Sweden	1,762	1,886	1,804
Latvia	296	317	296
Lithuania	250	267	265
Estonia	72	63	57
Denmark	52	39	33
Norway	7	8	8
USA	-	1	-

Strategy and strategy implementation 2020

Fazer, celebrating its 130th anniversary in 2021, is financially strong and has a clear strategy for the future. Future growth is sought both organically and through M&A opportunities. Fazer has high growth ambitions going forward, which could also open up for a potential broadening of the shareholder base through a public listing at some point in the future.

In the coming years Fazer will continue to focus on its four strategic development areas:

1) leveraging the leading FMCG (Fast Moving Consumer Goods) brand to strengthen its position in Finland,
2) accelerating growth through innovations, on-trend categories and foodtech,
3) developing leading positions in Northern Europe, and
4) driving operational excellence and developing ways of working to enable industry leading profitability.

Sustainability is an integral part of the Group strategy, and in its sustainability work Fazer focuses on lowering emissions, decreasing the amount of food waste, sustainable sourcing, and introducing more plant-based food in our offering.

In accordance with its updated vision Towards Perfect Days, Fazer continued to execute its strategy in 2020. The divestment of Fazer Food Services to Compass Group was completed on 31 January 2020 supporting Fazer's transformation towards a FMCG company.

In January, Fazer acquired Vuohelan Herkku's bakery and mill businesses. Vuohelan Herkku is one of the forerunners of gluten-free baking in Finland and has a new gluten-free bakery in Lahti. Through this acquisition, Fazer became one of the biggest players in gluten-free bakery products in Finland.

Fazer's ambition is to become one of the leading plant-based players in Northern Europe by continuously identifying new categories and growing current categories. By investing in innovations and foodtech, Fazer strengthens its focus on the sustainable food solutions of the future. Fazer's unique xylitol factory, utilising oat hull, the side stream of the oat milling process, to produce xylitol with state-of-the-art technology will be inaugurated in 2021. Fazer's strategic focus on innovations, has been recognised by the Finnish Food and Drink Industries' Federation who awarded the factory the Star Act 2020 in November 2020

During the year, Fazer increased its shareholding in Solar Foods and became the largest single shareholder, with an approximately 15% ownership stake. Solar Foods is a Finnish foodtech start-up, which has developed a novel protein ingredient, Solein®, from CO2. The company aims to further develop its protein ingredient for broader use in consumer products. Fazer will continue to support Solar Foods in the form of research, innovation and commercial development, in addition to active ownership.

To meet the growing demand for oats and to provide top-quality ingredients for our businesses, Fazer will double the oat milling capacity in Lahti, Finland and Lidköping, Sweden in 2021. Oats will continue to be at the core of the Fazer Lifestyle Foods' business and an important ingredient, especially in the bakery business. The use of oats in various categories will develop. A great example of a true innovation that responds to the needs of the consumers is the Fazer Oat Rice, which was launched in all Nordic countries in 2020. The novelty innovation was awarded the Swedish Food Award Livsmedelspriset 2020. Strong focus will remain on the non-dairy, plant-based meal and breakfast categories. Systematic R&D work contributes to a wide portfolio of innovations to further build on. Selected acquisitions play a key role in the realisation of the growth plan.

In 2020, several measures were taken to drive operational excellence, synergies and value. The implementation of a new operating model was started, including changes in the commercial organisation, in marketing and in procurement, as well as reorganising the Group functions. In addition, actions to increase efficiency in manufacturing included production transfers within Fazer Confectionery and Fazer Lifestyle Foods in Finland.

The turnaround and transformation initiative in Fazer Bakery Sweden, announced on 9 February 2021, is a good example of developing new ways of working to support profitable growth. The new operating model, targeted to come into effect by summer 2021, includes a re-seller and co-distribution agreement with bakery sales company Polfärskt and reduces the number of bakeries from four to three. The new operating model will increase Fazer's agility and service levels for customers and, at the same time, build a more sustainable and environmentally friendly way of operating the bakery business.

Research and development

Fazer continued its strong food technology R&D work with multiple projects. The Fazer Oathow project focuses on oats and future oat technologies. The Fazer Xtech project has a strong focus on foodtech including, in particular, plant proteins, side streams and sugar reduction. Fazer and Solar Foods continued their strategic R&D co-operation in the Solein2Food project that aims to commercialise Solar Foods' novel sustainable protein ingredient in the form of new food products.

Fazer also continued work in the field of nutrition. Fazer's Brainhow project moved from the research phase to the implementation phase. Fazer is conducting research in SLU Uppsala, Sweden, related to grain fibres and the gut-brain axis with a clinical intervention study. Fazer and the Nordic Rye Forum co-organised a rye symposium in the 12th Nordic Nutrition Conference.

Research and development costs amounted to 8.4 M€ (9.3) for the continuing operations.

Sustainability

Sustainability is an integral part of Fazer's strategy and leads its work through four Core goals: 50% less emissions, 50% less food waste, 100% sustainably sourced, and more plant based. More information about Fazer's sustainability work, including quality, environment, occupational health & safety and food safety, as well as the progress in 2020 can be found in Fazer's sustainability report and non-financial information, included in the Annual Review to be published in week 15. The information will be published on the Fazer Group's website www.fazergroup.com in the Reports & Governance section.

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 2020, managing and mitigating the COVID-19 pandemic-related near-term business and financial risks were a key priority. Fazer took prompt action to safeguard the health and safety of its employees as well as the company's financial stability and business continuation. Thanks to all the preventive measures that were introduced at an early stage of the pandemic, Fazer was able to continue all production operations throughout the year. Fazer continues to monitor the situation very closely. For more information on financial risk management, see Note 11.3 to the Financial Statements.

Changes in Group legal structure

Fazer continued to simplify its legal structure to reduce administrative work and to increase organisational agility. The changes in the Group legal structure are disclosed in Note 24 to the Financial Statements.

Shares and share capital

In June 2020, the parent company organised a directed share issue in which 382,276 new preference shares with a subscription price of 303.17 euro was issued. The shares, equivalent to 115.9 M€, were paid in kind with the outstanding shares of Fazer Food AB, after which the company was merged with Oy Karl Fazer Ab. The nominal value of 20 euro per share, equivalent to 7.6 M€, was recorded in share capital and the rest, equivalent to 108.2 M€, in the reserve for invested unrestricted capital.

At the end of 2020, the parent company Oy Karl Fazer Ab had 4,341,039 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 1 April 2020, 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. Casper von Koskull was elected as a new member of the Board of Directors at the extraordinary shareholders' meeting on 19 October 2020.

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

Events after the reporting period

On 9 February 2021, Fazer Bakery Sweden announced that it had entered a re-seller agreement with the bakery sales company Polfärskt in order to enhance the service level Fazer Bakery Sweden can offer its customers. The agreement will come into effect by the summer 2021. As a result, Fazer Bakery's own field sales and distribution organisation in Sweden will be discontinued. Moreover, Fazer plans to close its bakery in Lund in the autumn of 2021. A more concentrated bakery network suits Fazer's product range better and creates better conditions for baking more efficiently and sustainably. The plan is to move production from Lund to Fazer's bakeries in Umeå, Eskilstuna and Lidköping. Negotiations with the unions are ongoing. The changes affect all 495 employees including sales extras within field sales and distribution as well as 69 employees in the Lund bakery. Fazer supports all employees affected by the change.

After the year-end, the COVID-19 pandemic has continued to directly and indirectly influence Fazer's businesses, which has led to new collaboration negotiations.

Risks and short-term business uncertainties

In 2021, the uncertainty caused by the COVID-19 pandemic remains high as new waves and virus mutations alter the situation quickly and impact the markets in different ways and at different times. The prolonged situation adds to uncertainty in economies globally and increases price sensitivity in fast moving consumer goods. Governmental restrictions and recommendations may impact all Fazer key markets and businesses. As in 2020, the key impacts to Fazer's businesses are anticipated in the sales of frozen bakery products driven by the HoReCa channel's gloominess, Travel Retail remaining in a standstill and the retail business being affected by decreased customer traffic in city centres and malls. Besides, and partially related to the uncertainties the COVID-19 pandemic may cause, the timely completion of the new manufacturing facility and equipment investments as well as the efficient ramp-up of operations in the new xylitol factory and two new oat mills affect Fazer's operational risks in 2021.

Outlook for 2021

In 2021, Fazer's net sales and the comparable operating profit from continuing operations are expected to improve compared to the previous year, assuming the development of the COVID-19 pandemic and the general economic climate will not deteriorate. The outlook is subject to operational risks and uncertainties, as well as lower than normal visibility due to the COVID-19 pandemic.

In 2021, Fazer will continue its transformation towards an integrated FMCG company, enabled by its exit from the food service business in early 2020. Accelerating growth through innovations, on-trend categories and foodtech as well as developing leading positions in Northern Europe remain key strategic focus areas during the year. Moreover, Fazer will continue building an even stronger position as the number one FMCG brand in Finland. Driving operational excellence and excelling in ways of working will improve our profitability. In addition to organic growth, Fazer will continue its active M&A work to boost growth and internationalisation.

Proposal for distribution of profit

The parent company's distributable funds amount to 1,081,446,262.60 euros of which 406,791,490.38 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 14.40 euros per share	96,569,841.60 €
- to leave in profit brought forward	984,876,421.00 €
	1,081,446,262.60 €

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

Consolidated income statement

EUR thousand	Notes	2020	2019
Continuing operations			
Revenue	4	**1,101,231**	**1,097,009**
Other operating income	5.1	22,804	28,850
Change in finished goods and work in progress		436	1,141
Materials and services	5.2	-405,483	-406,671
Employee benefits expenses	5.3	-317,374	-316,295
Depreciation, amortization and impairment	8, 9	-65,506	-62,072
Other operating expenses	5.4	-284,189	-292,881
Operating profit		**51,918**	**49,081**
Financial income and expenses	6		
Financial income		7,402	5,862
Financial expenses		-17,516	-3,331
Total financial income and expenses		**-10,115**	**2,531**
Profit before income tax		**41,804**	**51,611**
Income tax	7.1	-9,249	-12,679
Result for the period, continuing operations		**32,555**	**38,933**
Result for the period, discontinued operations	22	**407,796**	**35,437**
Result for the period		**440,351**	**74,369**
Result from continuing operations attributable to			
Owners of the parent company		31,413	36,729
Non-controlling interests		1,142	2,204
Result from discontinued operations attributable to			
Owners of the parent company		335,325	29,684
Non-controlling interests		72,543	5,752
Result attributable to			
Owners of the parent company		366,666	66,413
Non-controlling interests		73,685	7,956

Consolidated statement of comprehensive income

EUR thousand	Notes	2020	2019
Profit for the year		**440,351**	**74,369**
Other comprehensive income			
Items that may be classified to profit or loss			
Cash flow hedges		-152	187
Translation differences		-12,209	5,193
Income tax relating to these items		30	-37
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		-6	-209
Fair value adjustments of non-current commercial papers		1,194	-
Income tax relating to these items		0	48
Other comprehensive income, net of tax		**-11,142**	**5,181**
Total comprehensive income for the period		**429,209**	**79,550**
Of which attributable to discontinued operations		407,812	36,541
Attributable to			
Owners of the parent company		360,295	69,267
Non-controlling interests		68,945	10,283
Total comprehensive income for the period attributable to the owners of the parent company			
Continuing operations		24,996	38,700
Discontinued operations		335,269	30,567
Total		**360,265**	**69,267**
Total comprehensive income for the period attributable to non-controlling interests			
Continuing operations		-3,599	4,310
Discontinued operations		72,543	5,973
Total		**68,945**	**10,283**

Consolidated balance sheet

EUR thousand	Notes	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	10	159,066	158,614
Intangible assets	9	46,245	48,982
Property, plant and equipment	8	456,322	411,850
Non-current financial assets	11.1	11,653	3,110
Non-current receivables	11.1	57,448	5,155
Deferred tax assets	7.3	438	520
Total non-current assets		**731,172**	**628,232**
Current assets			
Inventories	12	83,332	86,462
Trade and other receivables	13	134,504	139,708
Current financial assets	11.1	26,467	2,000
Income tax receivables		1,778	3,513
Cash and cash equivalents	14	345,580	40,554
Total current assets		**591,661**	**272,237**
Assets held for sale	22	-	171,914
TOTAL ASSETS		**1,322,833**	**1,072,383**
EQUITY AND LIABILITIES			
Equity	15		
Share capital		134,125	126,479
Other reserves		1,206	134
Reserve for invested unrestricted equity		108,249	-
Retained earnings		625,744	367,502
Equity attributable to the owners of the parent company		**869,324**	**494,116**
Non-controlling interests	25	65,231	69,570
Total equity		**934,555**	**563,686**
Non-current liabilities			
Interest-bearing liabilities	11.1, 17	31,589	33,145
Deferred tax liabilities	7.3	19,169	17,870
Pension obligations	18	4,113	4,193
Provisions	16	1,729	1,758
Other non-current liabilities		1,640	6,864
Total non-current liabilities		**58,239**	**63,829**
Current liabilities			
Interest-bearing liabilities	11.1, 17	100,726	134,432
Trade and other payables	19	226,486	191,116
Provisions	16	470	548
Income tax liabilities		2,357	1,643
Total current liabilities		**330,039**	**327,740**
Total liabilities		**388,278**	**391,569**
Liabilities related to assets held for sale	22	-	117,128
TOTAL EQUITY AND LIABILITIES		**1,322,833**	**1,072,383**

Consolidated statement of changes in equity

EUR thousand	Share capital	Other reserves	Reserve for invested unrestricted equity	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the parent company							
Balance at 1 January 2020	**126,479**	**134**	**-**	**-12,900**	**380,403**	**494,116**	**69,570**	**563,686**
Profit for the period					**366,666**	**366,666**	**73,685**	**440,351**
Other comprehensive income								
Fair value adjustments of derivatives, net of taxes		-287				-287		-287
Transferred to the statement of income, net of taxes		301				301		301
Transferred to inventories, net of taxes		-135				-135		-135
Fair value adjustments of non-current financial assets		1,194				1,194		1,194
Remeasurement on defined benefit plan, net of taxes					-22	-22	17	-5
Translation differences				-7,452		-7,452	-4,757	-12,209
Comprehensive income for the period		**1,072**	**-**	**-7,452**	**-22**	**-6,401**	**-4,741**	**-11,142**
Transactions with owners in their capacity as owners								
Share issue and related expenses, net of taxes	7,646		108,249		-642	115,253		115,253
Acquisition of share of non-controlling interest					165	165	-116,062	-115,897
Release of internal capital gain *					-42,926	-42,926	42,926	0
Dividends provided for or paid					-57,548	-57,548	-147	-57,695
Balance at 31 December 2020	**134,125**	**1,206**	**108,249**	**-20,352**	**646,097**	**869,325**	**65,231**	**934,556**

EUR thousand	Share capital	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the parent company						
Balance at 1 January 2019	**126,479**	**-15**	**-15,803**	**374,266**	**484,927**	**59,434**	**544,361**
Profit for the period				**66,413**	**66,413**	**7,956**	**74,369**
Other comprehensive income							
Fair value adjustments of derivatives, net of taxes		640			640		640
Transferred to the statement of income, net of taxes		-415			-415		-415
Transferred to inventories, net of taxes		-75			-75		-75
Remeasurement on defined benefit plan, net of taxes				-198	-198	37	-161
Translation differences			2,903		2,903	2,290	5,193
Comprehensive income for the period		**149**	**2,903**	**-198**	**2,854**	**2,327**	**5,181**
Transactions with owners in their capacity as owners							
Dividends provided for or paid				-60,078	-60,078	-147	-60,225
Balance at 31 December 2019	**126,479**	**134**	**-12,900**	**380,403**	**494,116**	**69,570**	**563,686**

*) The adjustment of the non-controlling interests relates to an several years earlier completed internal reorganisation of the Fazer Food Services business that has previously been eliminated

Consolidated statement of cash flows

EUR thousand	Notes	2020	2019
Cash flows from operating activities			
Result for the period		440,351	74,369
Adjustments (1		-321,122	82,212
Change in working capital (2		53,231	12,096
Interest received		1,311	1,598
Interest paid		-1,402	-1,526
Other financial income and expenses, net		-5,197	-1,471
Dividends received		-	294
Income taxes paid		-14,800	-22,815
Net cash from operating activities		**152,373**	**144,756**
Cash flows from investing activities			
Purchases of tangible and intangible assets	8, 9	-92,766	-57,473
Business acquisitions	23	-6,090	-47,587
Investments in non-current financial assets		-5,255	-2,000
Investments in current financial assets		-326,469	-
Proceeds from sale of tangible and intagible assets		2,837	804
Proceeds from sale of current financial assets		297,206	-
Proceeds from sale of businesses	23	387,184	8,781
Repayment of loan receivables		-	2,800
Net cash from investing activities		**256,647**	**-94,674**
Cash flows from financing activities			
Repayment of current debt	11.4	-157,593	-34,163
Proceeds from current debt	11.4	190,530	12,200
Net cash flows from commercial papers	11.4	-66,508	60,996
Repayment of leasing debt	11.4	-14,121	-25,295
Dividends paid		-57,770	-60,225
Net cashfrom financing activities		**-105,462**	**-46,486**
Net increase (+) decrease (-) in cash and cash equivalents		**303,558**	**3,596**
Cash and cash equivalents at the beginning of the period	14	43,246	39,326
Exchange rate difference		-1,225	325
Cash and cash equivalents at the end of the period	**14**	**345,580**	**43,246**

1) Adjustments			
Depreciations, amortisations and impairments	8, 9	65,506	70,052
Income taxes		18,947	21,950
Share of result in associated companies		-48	-401
Financial income and expenses	6	9,739	-2,373
Non-cash income and expenses		610	-2,275
Other non-operating adjustments		-415,875	-4,742
Total adjustments		**-321,122**	**82,212**

2) Change in working capital			
Decrease (+) / increase (-) in inventories		922	1,361
Decrease (+) / increase (-) in trade and other receivables		14,950	-10,436
Decrease (-) / increase (+) in trade and other payables		37,359	21,171
Change in working capital		**53,231**	**12,096**

Figures in consolidated statement of cah flows include both continuing and discontinued opearations.

Notes to consolidated financial statements

1. Corporate information

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

Fazer Group is an international family-owned company offering quality bakery, confectionery, biscuit and grain products, plant-based meals non-dairy products, on-the-go food & drinks as well as café services. Continuing operations consists of three business areas, as well as the shared functions of the Group. In 2020 Fazer Retail business unit was incorporated into Fazer Confectionary business. It is reported as part of Fazer Confectionary business area from the beginning of 2020 and the 2019 comparables for Fazer Confectionary have been restated accordingly.

Fazer operates in eight countries and exports to around 40 markets. For a full list of shareholdings see Note 24. At year-end 2020 continuing operations in Fazer Group had 8,496 employees in eight countries.

Discontinued operations consist of food services business area. It had operations in five countries and 6,958 employees at the end of 2019.

The Board of Directors approved these financial statements for issue on March 18, 2021. According to the Finnish Companies Act, the shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. Furthermore, the Annual General Meeting can decide on modifications to be made to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2020. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated.

Euro is the parent company's functional and presentation currency. Items concerning the performance and financial position of the Group's units are measured by using the currency of the primary economic environment in which the units operate ("the functional currency").

Numbers in these financial statements are presented in thousand euro and they have been rounded from exact numbers and therefore the sum of numbers presented individually can deviate from the total sum.

2.2 Basis of consolidation

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

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

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

Associated companies are companies in which the Group holds voting rights of 20-50% and in which the Group has significant influence, but not control. The associated companies are included in the consolidated financial statements by using the equity method. Under the equity method, the Group's share of the profit or loss of an associate is recognized above operating profit. The Group's interest in an associated company is recognised in the balance sheet at an amount that reflects the Group's share of the net assets of the associate together with goodwill identified on acquisition, less any impairment. Significant unrealized gains between the Group and the associated companies are eliminated to the extent of the Group's ownership. Associated companies' financial statements are, when necessary, adjusted to correspond with the accounting principles used in the Group prior to consolidation. If the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to nil and the recognition of further losses ceases unless the Group has incurred obligations in respect of the associated companies.

The investments in subsidiaries have been eliminated by using the acquisition cost method. All transactions between Group companies as well as assets and liabilities, income and expenses, dividends and unrealized internal margins have been eliminated in the consolidated financial statements. Non-controlling interests share of the result is presented separately in the income statement and the share of the equity allocated to the non-controlling interest is presented separately within equity. All transactions with non-controlling interests are recorded in equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is re-measured to its fair value and the change in the carrying amount is recognized in the income statement.

2.3 Summary of significant accounting policies

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets are classified as held for sale if their carrying amount are expected to be recovered primarily through a sale rather than through continuing use. Classification as held-for-sale requires that the sale is considered highly probable, the asset is available for immediate sale in its present condition, the management is committed to the sale and the sale is expected to be completed within one year from the date of classification. From the date of classification such assets are stated at the lower of carrying amount and fair value less cost of disposal and recognition of depreciations and amortizations ceases.

Operations are classified as discontinued operations in case a component of an entity has either been disposed of, or is classified as held-for-sale. Furthermore, it represents a separate major line of business or geographical area of operations, is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. A component of an entity is defined as operations and cash flows which can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Intra-group revenues and expenses between continuing and discontinued operations are eliminated, except for those revenues and expenses that are considered to continue after the disposal of the discontinued operation.

The result for the period of discontinued operations is presented as a separate item in the income statement and the comparative information in the income statement is restated accordingly.

FOREIGN CURRENCY ITEMS

Transactions in foreign currencies are translated into the respective functional currencies of Group companies using the exchange rates at the dates of the transactions. Receivables and payables in foreign currencies are translated using exchange rates at the end of the reporting period. Foreign exchange rate gains and losses resulting from receivables and payables relating to operating activities are included in the operating profit. Foreign exchange rate gains and losses relating to financial assets and liabilities are included in financial income and expenses in the income statement.

Income statements of foreign group companies are translated into euros using the average exchange rates of the reporting period and balance sheets are translated using the exchange rates at the end of the reporting period. The translation of the reporting period's result by using different rates in the income statement and the balance sheet causes a translation difference, which is recognised in equity and in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of the equity items accumulated after the acquisition are recognised in other comprehensive income. When a subsidiary is disposed, any accumulated translation difference relating to the disposed subsidiary are recognised as part of the gain or loss of the sale. Goodwill arising from acquisitions of foreign entities as well as the fair value adjustments of assets and liabilities are treated as assets and liabilities of the foreign entities in their functional currency. They are translated into euros as at the exchange rate of the end of the reporting period.

REVENUE RECOGNITION

Fazer manufactures and sells a range of bakery, biscuit, confectionery and grain products in the wholesale and retail market. Fazer also operates some cafes and restaurants at selected locations. Sales are recognised when control of the products has been transferred. The control is transferred when the products are delivered to the wholesaler or retailer, which have full discretion over the channel or store and price to sell the products, and there is no unfilled obligation for Fazer. Delivery occurs when the products have been delivered to the specific location or collected from agreed warehouse, the risks of obsolesce and loss have been transferred to the wholesaler, and either the customer has accepted the delivered products in accordance with the sales contract, or the group has objective evidence that all criterions for acceptance have been satisfied. In some countries and certain products, we have consignment stocks, and in these cases, the revenue is recognised when control of the products is transferred to the end customer.

The contracts concluded by the Fazer include a range of variable price components, such as volume discounts and bonuses. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide discounts, and revenue is only recognised to the extent that is highly probable that significant reversal will not occur.

A contract liability is recognised for expected volume discounts into same period, when the corresponding revenue is recognised. No element of financing is deemed present as the sales are usually made with 30 days payment term. Receivable is recognised when the goods are delivered.

RESEARCH AND DEVELOPMENT EXPENCES

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

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

INCOME TAXES

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

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

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

GOODWILL

Goodwill arising from the business combinations is the difference between the consideration given, non-controlling interests in the acquire, the acquisition date fair value of the acquirer's previously held interest in the acquire and the fair value of the acquired net assets. Goodwill is not amortised but tested for impairment annually and always when there are indications that the value might be impaired. For the purpose of impairment testing, the goodwill is allocated to the cash generating units. Goodwill is recognised at its original acquisition cost, less impairment losses.

The carrying amount of goodwill is tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level (CGUs) for which there are separately identifiable, independent and cash inflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by using value-in-use method. The value in use is determined by reference to discounted future cash flows expected to be generated by the asset. The discount rate used is pre-tax and reflects the time value of money and asset specific risks. Impairment loss is immediately recognized in the income statement. The impairment loss recognised of goodwill is never reversed.

INTANGIBLE ASSETS

Intangible assets include trademarks, customer relationships, immaterial rights, other capitalized development expenses i.e. patents, copyrights, licenses and software. An intangible asset is recognized in the balance sheet only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. The intangible assets with definite useful life are amortized on a straight-line basis over the expected useful lives of the asset. The intangible assets with indefinite useful lives are not amortized but tested for impairment annually.

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

The estimated useful lives for intangible assets are as follows:

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

PROPERTY, PLANT AND EQUIPMENT

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

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Buildings and structures 10–50 years
- Machinery and equipment 3–25 years
- Other tangible assets 3-10 years

Depreciations are commenced when the asset is ready for use, in such a location and condition that it can be used as the management of the company has intended. Land and water are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The carrying amounts tangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If indication exists, the recoverable amount is measured. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss in the other operating income or costs.

GOVERNMENT GRANTS

Grants from the government are recognised as reductions of the carrying amount of tangible assets when there is a reasonable assurance that the grant will be received, and the Group will comply with all conditions. Grants are recognised in the consolidated statement of comprehensive income in the form of smaller depreciation over the economic life of the related asset. Research and development grants and grants received as reimbursement for actual costs are recognised into profit during the period in which the right to collect the grant emerge. Such grants are presented in other operating income.

LEASES

Group leases various properties, equipment and cars. Leased properties relates mostly to stores and cafes which typically have leasing periods of 3 to 5 years. Equipment includes a wide range of different types, but the most significant are the power plants for which rental period are approximately 20 years. Cars are generally leased for 3 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which leased asset is available for use by group. According to IFRS each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are measured on a present value basis. The measurement includes non-cancellable lease payments, as well as payments to be made for optional periods if Group is reasonably certain to exercise the extension option. The lease payments are discounted using interest rate implicit in the lease, if that rate can be determined, or using Group's incremental borrowing rate.

The Group is applying recognition exemptions under IFRS 16 for short-term leases (less than twelve months) and leases of low value assets. The Group has classified, amongst others, laptops and other low value IT equipment as well as low value machinery as low value assets. These are not recognised into balance sheet, but payments are recognised on a straight-line basis as an expense in profit or loss statement.

Lease liability is initially measured at the amount of net present value of following lease payments: a) fixed payments, less any lease incentives receivable, b) variable lease payments that are depending on an index or a rate that originally are based on the index or price level at the commencement date, c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Right-of-use asset is measured at cost comprising following: a) the amount of the initial measurement of lease liability, b) any lease payments made at or before the commencement date c) any initial direct costs and d) restoration costs.

Contingent rents

Some of property leases contain variable payment terms that are linked to sales generated from the store or other variable element, like amount of rented pallet place in warehouse. For some individual stores, up to 100 per cent of lease payments are based on variable payment terms or is based on sales with a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs for newly established store or according to other general practice. Changes in conditions regarding variable lease payments are recognised in the profit and loss statement in that period in which the change of the condition in the leasing contract has taken place. Variable lease payments that depends on sales are recognised in profit and loss in the period in which the condition that triggers those payments occurs.

A part of the payments in relation to power plants are considered variable. These payments are generally linked to the capacity utilisation of the power plant and depend, amongst others, on the different fuel types that are used.

Certain property lease payments are linked to an inflation index. Variable lease payments based on an index are part of the lease liability and are measured initially using the index at the commencement date. Future changes of the index are considered in measurement at the point in time in which lease payments change.

Critical judgements in determining lease term

Management assess whether group has economic incentive to exercise the extension option or not exercise the termination option. All facts and conditions creating economic incentive for group are considered. The validity of this assessment is reassessed upon the occurrence of either significant event or a significant change in circumstances which affect this estimation.

FINANCIAL ASSETS AND LIABILITIES

A financial asset or liability is recognised when the Group becomes a party to a contract comprehending a financial asset or liability. Financial assets are classified in accordance with IFRS 9 depending on the business model for managing financial assets and the contractual terms of the cash flows in the following measurement categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income. Financial liabilities are classified either at amortized cost or fair value through profit or loss.

Financial assets, including derivatives, are initially recognised at fair value. Financial assets recognized at amortized cost are valued using the effective interest method, deducted by transaction costs. Other financial assets are valued at their fair value either through profit or loss or through other comprehensive income, based on the classification above. The method for estimating credit losses in relation to trade receivables is described in section ”Trade receivables”. Financial liabilities are initially recognised at amortized cost. Derivatives are recognised at fair value. Loans are measured at amortized cost using the effective interest method. Other financial liabilities are valued at their fair value through profit or loss. Financial assets and liabilities arising from derivatives are valued at fair value at the end of each reporting period, either through profit or loss or through other comprehensive income.

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

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

Financial asset measured at amortized cost consists of other non-current loan receivables, trade receivables and cash and cash equivalents. Cash and cash equivalents include deposits, which are made to ensure return on liquid funds. Return from deposits consists of interest and repayment of initial principal as the deposit matures. Trade and loan receivables include those items where the business model is to hold the asset to collect the contractual cash flows. Financial assets measured at fair value through profit or loss and at fair value through other comprehensive income consists of non-current and current financial assets, such as interest funds, commercial papers, contingent consideration receivables, shares and other holdings in unlisted entities as well as loans to aforementioned entities. These financial assets are measured at fair value through profit or loss with the exception of strategic investments, which have been irrevocable classified as fair value through other comprehensive income. Shares of unlisted companies are initially measured at cost and subsequent measurement is assessed continuously.

Interest funds have been acquired for trading purposes to secure return on liquid funds. Return is received in addition to interest income also in the form of fair value gains and the investments can be sold or purchased according to the liquidity position of the Group. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire.

Financial liabilities measured at amortized cost include loans from financial institutions, leasing debt, commercial papers, trade payables and loans from third parties that are not financial or pension institutions. Transaction costs are deducted from the principal amount and the difference is expensed using the effective interest method. Financial liabilities measured at fair value through profit or loss consist of contingent consideration liabilities. All transaction cost and changes to the fair value is recognized through profit or loss. Financial liability is derecognized when the debt has extinguished, i.e. once the related obligation is discharged, cancelled or expired.

Arrangement fees in relation to credit facilities are capitalised as prepayments and expensed over the period of the facility if there is no evidence that it is probable that some or all of the facility will be drawn down. Other costs in relation to borrowings are expensed when incurred.

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

Hedge accounting is applied on foreign exchange and commodity hedging transactions entered into in relation to certain highly probable raw material purchases and certain highly probable sales transactions denominated in foreign currencies. These are designated as cash flow hedge relationships. Hedging relationship is recognised and documented, when an economic relationship exists between the hedging instrument and the hedged item, and the central terms of the hedging instrument are similar to central terms of the hedged item. The effectiveness of the hedge is evaluated as the hedging relationship is recognised, and forward-looking effectiveness testing is carried out at each reporting date. To the extent these relationships are effective, the change in fair value of the hedging relationship is recognised in the hedging reserve in equity. The relevant fair value reserve is transferred to the initial cost of the related raw material purchase or income from the related sale when it is recognised. The fair value portion of hedges is allocated to hedged raw material, work in progress and finished goods in proportion to how much relevant raw material is included in them at the period end closing. The result of electricity derivatives, entered into to hedge electricity expenses, are included in electricity expenses in other operating expenses at closing. At the balance sheet date, the market value of open derivatives is recognised in financial income and expenses. The fair value portion of hedges in relation to sales that have been recognised in equity are allocated to the income statement when the sale that they relate to occurs. The ineffective portion is recognised immediately in the income statement, if the fair value change of the component designated as hedging instrument exceeds the fair value change of the hedged item in absolute terms.

Fazer designates the spot component of foreign currency forward contracts as hedging instrument in cash flow hedging relationships. The forward element of foreign currency forward contracts is recognised as cost or income without deferral. Gains and losses from raw material derivatives are recognised in the material costs, inventory values and fair value reserve. The Group does not have embedded derivatives.

TRADE RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the FIFO-method (first-in, first-out) or, alternatively, weighted average cost or standard cost method where the result of it approximates the result of the FIFO-method. The cost of finished goods and work in progress comprises raw materials, direct labour, depreciation, other direct costs and related production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

PROVISIONS AND CONTINGENT LIABILITES

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

A provision for business restructuring is recognized only when a detailed and formal plan has been established, when there is a valid expectation that such a plan will be carried out and the plan has been communicated.

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

TRADE AND OTHER PAYABLES

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

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

In defined contribution plans, the Group makes fixed payments to a separate entity. The Group has no legal obligation to make additional payments if the recipient of the payments is unable to pay for the retirement benefits in question. All arrangements that do not meet these conditions are defined benefit pension plans. Payments made to defined contribution pension plans are recognized as a result of the period during which they are charged.

Defined benefit plans

The present value of the obligation of defined benefit plans is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined using interest rates of high-quality corporate bonds that have maturity terms approximating to the terms of the related defined benefit obligation. The liability or asset recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting period closing date less fair value of plan assets.

Remeasurements, including actuarial gains and losses, are recognized to equity through other comprehensive income when incurred and are not reclassified to profit or loss in subsequent periods. Past service costs are recognized in income statement at the earlier of when the plan amendment or curtailment occurs or when related restructuring costs or termination benefits are recognized. For defined benefit plans the Group reports the current and past service cost as well as gains and losses on non-routine settlements in personnel expenses. The net interest income or expense is recognized in financial income or expenses. The net interest is determined by applying the discount rate used to determine present value of obligation to the net defined benefit liability or asset at the beginning of the annual period. In addition, the changes during the period caused by contributions and benefit payments are taken into account.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled within 12 months of the end of the reporting period, then they are discounted.

OPERATING PROFIT

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

DIVIDENDS

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

2.4 Adoption of new and amended standards

CHANGES IN ACCOUNTING STANDARDS

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

The Group has early adopted IFRS 16 when compiling financial statements according to IFRS for the first time for the period ending December 31, 2017.

NEW AND FORTCOMING STANDARDS AND INTERPRETATIONS

New and amended standards or interpretations that were issued by the balance sheet date and effective from 1 January 2021 or later are not expected to have a material impact on Fazer Group's result, financial position or the presentation of the financial statements.

3. Significant accounting judgements, estimates and assumptions

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

DETERMINATION OF FAIR VALUE OF ASSETS ACQUIRED AS PART OF BUSINESS COMBINATIONS AND CONTINGENT CONSIDERATION

Classification or determinations related to business combinations are made based on the terms of contract, economic conditions, the operating or accounting principles applied by Group and other pertinent circumstances prevailing at the time of acquisitions. Where possible, the fair values of assets and liabilities are determined by reference to market values insofar as they are available. If no market values are available, the measurement is based on the estimated capacity of the assets to generate income and its future use in Fazer Group's operating activities. The measurement of intangible assets, in particular, is based on the present value of future cash flows and requires that the management make estimates regarding future cash flows, discount rate and the use of assets.

The acquisition-date fair value of contingent consideration is recognised as part of the consideration transferred. When contingent consideration is classified as a financial liability, it is recognised at fair value at the end of the reporting period and the change in fair value is recognised in profit and loss.

The management believes that the estimates and assumptions made are accurate enough for the determination of fair value. Additionally, the Group monitors any indications of any impairment of property, plant and equipment and intangible assets.

DEFINED BENEFIT OBLIGATIONS – ACTUARIAL ASSUMPTIONS

The present value of pension obligations is subject to the actuarial assumptions used by actuaries to calculate these obligations. Several actuarial assumptions are used in calculating the expenses and obligations related to the plans. These factors include, among others, assumptions about the discount rate, changes in future compensation and employee service life. Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. Retirement benefit obligations are disclosed in Note 18.

RECOGNITION AND MEASUREMENT OF PROVISIONS

The most significant provisions in the statement of financial position relate to leasing/restoration provision. The judgement applied mainly relates to the estimated amounts of costs. The precise amount and timing of these costs could differ from estimates. More details are provided in Note 16.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Group tests goodwill and other intangible assets whose useful life is estimated to be indefinite for impairment annually. The parent companies in Group, in turn, test the cost of subsidiary shares. The amounts recoverable from cash-generating unit's operating activities are determined based on value-in-use calculations. In these calculations, forecast cash flows are based on 5-year financial plans approved by the management. In addition, the Group reviews the carrying amounts of its non-financial assets at each reporting date to determine whether there is any indication of impairment. If indication exists, the recoverable amount is measured. Indications of potential need for impairment may be for example changes in market conditions and sales prices, decisions on significant restructurings or change in profitability. These calculations require the use of judgement. More details are provided in Note 10.

DEFERRED TAXES

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

4. Revenue

Segment information

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

Disaggregation of revenue from contracts with customers

Fazer manufactures and sells a range of bakery, biscuit, confectionery and grain products as well as plant-based meals through wholesale and retail market. Fazer also operates some cafes and restaurants at selected locations. Revenue from contracts with customers amounted to EUR 1,101 million (EUR 1,097 million) in continuing opearations.

Revenue is recognised when the control of the product is transferred to the customer. This determines whether the revenue is recognised over time or at point in time. Revenue from sale of goods are recognized at point in time. All revenue in continuing operations is recognised at point in time.

In 2020 Fazer decided to merge Fazer Retail into Fazer Confectionary. Therefore, Fazer Retail is reported as a part of Fazer Confectionery from the beginning of 2020. The crisp business was transferred from Fazer Bakery to Fazer Confectionary in 2020. The 2019 net sales of Fazer Confectionary and Fazer Bakery have been made comparable.

Revenue by Fazer businesses

EUR thousand	2020	2019
Fazer Bakery	548,578	555,609
Fazer Confectionery	400,099	409,440
Fazer Lifestyle Foods	176,652	158,078
Others	2,659	3,558
Internal sales	-26,757	-29,676
Total	**1,101,231**	**1,097,009**

Revenue by country

EUR thousand	2020	2019
Finland	615,279	583,296
Sweden	230,835	229,990
Russia	147,889	168,151
Estonia	19,856	21,256
Latvia	14,767	14,899
Denmark	14,754	13,788
Lithuania	13,596	12,339
Norway	7,481	8,690
Other countries	36,775	44,600
Total	**1,101,231**	**1,097,009**

5. Other operating income and expenses

5.1 Other operating income

EUR thousand	2020	2019
Gain from sales of non-current assets	2,759	8,505
Rental income	2,226	3,246
Sale of services	8,345	9,641
Others	9,474	7,457
Total	**22,804**	**28,850**

5.2 Materials and services

EUR thousand	2020	2019
Purchases during the period	398,680	405,182
Change in inventory	2,558	-3,070
External services	4,245	4,559
Total	**405,483**	**406,671**

5.3 Employee benefit expenses

EUR thousand	2020	2019
Wages and salaries	251,806	249,617
Pension costs - defined contribution plans	36,454	39,113
Pension costs - defined benefit plans	99	4
Other employee benefit expenses	1,586	964
Social security costs	27,429	26,598
Total	**317,374**	**316,295**

Personnel on average per Fazer businesses	2020	2019
Fazer Bakery	5,076	5,258
Fazer Confectionary	1,531	1,634
Fazer Lifestyle Foods	443	339
Group shared functions	266	301
Total	**7,316**	**7,532**

5.4 Other operating expenses

EUR thousand	2020	2019
Other social expenses	7,505	7,815
Rents	21,708	19,765
Energy	29,007	28,626
Production maintenance expenses	61,591	53,989
IT expenses	18,031	18,712
Travel expenses	5,066	8,648
Freight and other transport expenses	70,235	73,306
Marketing expenses	41,162	48,518
Administrative expenses	28,729	32,797
Loss from sales of non-current assets	1,156	703
Total	**284,189**	**292,881**

Audit fees	2020	2019
PricewaterhouseCoopers		
Audit	678	645
Tax services	-	2
Other services	277	35
Total	**954**	**682**

6. Financial income and expenses

EUR thousand	2020	2019
Dividend income	-	-
Interest income		
Cash, cash equivalents and other financial assets	1,043	255
Derivatives	1,467	1,273
Other interest income	1	8
Exchange rate differences		
Derivatives	290	1,283
Other	-	-
Other financing income	4,601	3,044
Finance income	**7,402**	**5,862**
Interest expenses		
From leasing liabilities	-552	-551
Net-interest from defined benefit plans	-85	-134
Liabilities to financial institutions	-463	-211
Derivatives	-65	-236
Other interest expenses	-3,826	-207
Exchange rate differences		
Derivatives	-	-
Other	-9,980	-1,009
Fees and expenses related to interest bearing debt	-523	-458
Other financing expense	-2,023	-525
Finance expense	**-17,516**	**-3,331**
Total finance income and expenses	**-10,115**	**2,531**

Interest income arises from financial assets, foreign exchange transactions and other financing activities. Foreign exchange gains and losses arise from foreign exchange transactions, investments in financial instruments and bank accounts. Other financing income includes the recognition of the contingent consideration liability of Bioferme Oy and any other income related to financing transactions.

Interest expenses arise from foreign exchange transactions, commercial paper funding, losses from financial instrument investments and other financing transactions. Fees and expenses related to financing transactions include fees incurred and paid for the arrangement and availability of funding sources. Other financing expenses include other expenses related to financing transactions.

Financial income and a significant part of financial expenses, with the exception of income and expenses from derivatives, as well as income from financial assets, derives from assets and liabilities measured at amortised cost. Other financial income includes received option premiums in the amount of EUR 1.9 million. Other financial expense includes paid option premiums in the amount of EUR 1.9 million.

7. Taxes

7.1 Income taxes

EUR thousand	2020	2019
Income taxes, continuing operations		
Current tax on profits for the year	-8,719	-13,586
Adjustments of current taxes for prior periods	518	1,481
Total income taxes, continuing operations	**-8,201**	**-12,105**
Deferred taxes, continuing operations		
Decrease (-) / increase (+) of deferred tax assets	-694	596
Decrease (+) / increase (-) of deferred tax liabilities	-354	-1,170
Total deferred taxes, continuing operations	**-1,048**	**-573**
Total income taxes, continouing operations	**-9,249**	**-12,679**
Other comprehensive income		
Taxes related to items in other comprehensive income	31	10
Total	**31**	**10**

Reconciliation of effective tax rate, continuing operations

EUR thousand	2020	2019
Profit before tax	41,804	51,611
Parent companie's tax rate	20.0%	20.0%
Tax computed at parent companie's tax rate	-8,361	-10,322
Effect of different tax rates in foreign subsidaries	332	579
Effect of non-deductible expenses	-613	-738
Effect of income not subject to tax	858	1,264
Goodwill impairment	-	-
Utilisation of previously unrecognised tax losses carried forward	118	145
Unrecognised taxes on losses carried forward	-1,856	-4,311
Changes in corporate tax rates	256	-
Other adjustments of deferred taxes	-586	-367
Tax for previous financial periods	538	1,481
Other items	66	-410
Taxes in income statement	**-9,249**	**-12,679**
Effective tax rate (%)	**22.1**	**24.6**

7.2 Losses carried forward

EUR thousand	Total losses carried forward 31 Dec 2020	Total losses carried forward 31 Dec 2019	Recognised deferred tax assets 31 Dec 2020	Recognised deferred tax assets 31 Dec 2019
Expiry within five years	0	92	0	20
Expiry after five years	0	2,263	0	453
No expiry	1,668	2,088	367	459
Total	**1,668**	**4,442**	**367**	**932**

EUR thousand	Losses carried forward for which no deferred tax has been recognised 31 Dec 2020	Losses carried forward for which no deferred tax has been recognised 31 Dec 2019	Unrecognised deferred tax asset 31 Dec 2020	Unrecognised deferred tax asset 31 Dec 2019
Expiry within five years	63	51	13	10
Expiry after five years	2,161	2,221	669	679
No expiry	30,909	21,929	6,364	4,677
Total	**33,133**	**24,201**	**7,045**	**5,366**

7.3 Deferred tax assets and liabilities

EUR thousand	1 Jan 2020	Recognised in income statement	Recognised in other compre-hensive income	Business acquisitions and disposals	Reclassifi-cations	Exchange rate differences	31 Dec 2020
Deferred tax assets							
Intangible assets	7,471	478	-	-588	-	-	7,361
Tangible assets	1,544	-445	-	-64	-	12	1,048
Financial assets	5	-	-5	-	-	-	-
Inventory	350	46	-	-	-	-66	329
Employee benefits	1,142	-224	6	-	-	-4	920
Provisions	200	22	-	-	-	1	222
Tax losses carried forward	932	-566	-	-	-	1	367
Other items	2,028	-5	-	-	-	-274	1,749
Total	**13,671**	**-694**	**2**	**-651**	**-**	**-331**	**11,996**
Effect of netting deferred tax assets and liabilities	-13,151						-11,559
Total	**520**						**438**
Deferred tax liabilities							
Intangible assets	6,197	-712	-	-	-	165	5,650
Tangible assets	22,476	734	-	-1	6	-676	22,539
Financial assets	38	-	-35	-	-	-	3
Inventory	1,768	417	-	-	78	-6	2,257
Employee benefits	140	-72	-	-	-	3	71
Provisions	-	-	-	-	-	-	-
Other items	402	-13	-	-	-84	-98	207
Total	**31,021**	**354**	**-35**	**-1**	**-**	**-612**	**30,727**
Effect of netting deferred tax assets and liabilities	-13,151						-11,559
Total	**17,870**						**19,169**

EUR thousand	1 Jan 2019	Recognised in income statement	Recognised in other compre-hensive income	Business acquisitions and disposals	Transferred to result for discontinued operations	Exchange rate differences	31 Dec 2019
Deferred tax assets							
Intangible assets	7,882	-260	-	-	-151	-	7,471
Tangible assets	1,112	640	-	253	-454	-7	1,544
Financial assets	-	-	5	-	-	-	5
Inventory	282	37	-	-	-1	33	350
Employee benefits	1,248	17	44	-	-179	12	1,142
Provisions	332	-39	-	-	-92	-2	200
Tax losses carried forward	900	-300	-	561	-230	1	932
Other items	1,292	501	-	-	106	129	2,028
Total	**13,048**	**596**	**49**	**813**	**-1,001**	**166**	**13,671**
Effect of netting deferred tax assets and liabilities	-11,942						-13,151
Total	**1,106**						**520**
Deferred tax liabilities							
Intangible assets	6,526	-320	-	457	-383	-83	6,197
Tangible assets	18,443	1,339	-	2,541	-121	275	22,476
Financial assets	-4	-	42	-	-	-	38
Inventory	1,648	113	-	-	-	6	1,768
Employee benefits	63	74	3	-	-	-1	140
Provisions	-	-	-	-	-	-	-
Other items	1,882	-37	-	119	-1,536	-26	402
Total	**28,558**	**1,170**	**46**	**3,116**	**-2,040**	**172**	**31,021**
Effect of netting deferred tax assets and liabilities	-11,942						-13,151
Total	**16,616**						**17,870**

8. Property, plant and equipment

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost at 1 Jan 2019	**41,470**	**370,498**	**740,119**	**38,671**	**28,097**	**1,218,854**
Business acquisitions	111	11,159	29,736	9	-	41,014
Disposal of businesses	-231	-4,262	-37	-27	-	-4,556
Transferred to assets held for sale	-574	-53,058	-50,247	-25,424	-201	-129,504
Additions	-	17,527	27,239	1,655	32,305	78,727
Disposals	-2	-6,650	-16,436	-1,204	-384	-24,675
Reclassifications	-	6,747	18,267	485	-25,790	-291
Exchange rate differences	279	2,299	6,877	12	1,068	10,534
Cost at 31 Dec 2019	**41,053**	**344,260**	**755,518**	**14,176**	**35,095**	**1,190,101**
Business acquisitions	529	7,227	1,443	-	-	9,199
Additions	439	20,213	29,042	1,029	62,120	112,844
Disposals	-195	-8,087	-10,349	-237	-47	-18,914
Reclassifications	-	11,717	12,026	155	-24,262	-364
Exchange rate differences	-532	-5,394	-14,761	-122	-747	-21,556
Cost at 31 Dec 2020	**41,295**	**369,937**	**772,919**	**15,001**	**72,159**	**1,271,311**
Accumulated depreciation and impairment losses at 1 Jan 2019	**-8,497**	**-204,699**	**-565,405**	**-31,351**	**-46**	**-809,998**
Disposal of businesses	-	1,783	37	24	-	1,844
Transferred to assets held for sale	-	21,749	34,411	23,275	-	79,434
Depreciations, continuing operations	-20	-17,465	-38,513	-1,232	-	-57,230
Depreciations, discontinued operations	-	-5,055	-2,462	-264	-	-7,780
Impairment losses	1,077	-	-698	-26	-	353
Depreciations on disposals and reclassifications	-	5,800	14,237	1,125	-	21,162
Exchange rate differences	-11	-735	-5,273	-17	-	-6,037
Accumulated depreciation and impairment losses at 31 Dec 2019	**-7,451**	**-198,622**	**-563,666**	**-8,466**	**-46**	**-778,252**
Business acquisitions	-	-	-	-	-	-
Depreciations, continuing operations	-27	-19,168	-40,045	-1,311	-	-60,552
Impairment losses	-2,302	-	-	-3	-	-2,305
Depreciations on disposals and reclassifications	-	5,342	8,298	170	46	13,856
Exchange rate differences	8	1,666	10,494	94	-	12,262
Accumulated depreciation and impairment losses at 31 Dec 2020	**-9,772**	**-210,782**	**-584,920**	**-9,516**	**-**	**-814,990**
Carrying amount						
31 December 2020	31,523	159,155	187,999	5,485	72,160	456,321
31 December 2019	33,602	145,638	191,851	5,710	35,048	411,850

During 2020 borrowing costs amounting to EUR 151 (0) thousand were capitalised. The Group's average interest rate of borrowings was applied as the capitalisation rate, which was 0.4%.

Right of use assets included in tangible assets

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Total
Cost at 1 Jan 2019	**298**	**113,833**	**27,912**	**142,043**
Business acquisitions	-	2,421	-	2,421
Transferred to assets held for sale	-	-49,455	-4,312	-53,767
Additions	-	16,168	6,287	22,455
Disposals	-	-6,138	-3,734	-9,872
Exchange rate differences	16	-788	-80	-853
Cost at 31 Dec 2019	**314**	**76,040**	**26,074**	**102,427**
Business acquisitions	438	-	-	438
Additions	43	7,538	7,770	15,351
Disposals	-	-7,676	-4,791	-12,467
Exchange rate differences	-15	826	110	921
Cost at 31 Dec 2020	**780**	**76,727**	**29,163**	**106,670**
Accumulated depreciation at 1 Jan 2019	**-49**	**-53,239**	**-14,719**	**-68,007**
Transferred to assets held for sale	-	20,546	1,875	22,421
Depreciations, continuing operations	-20	-9,405	-4,026	-13,450
Depreciations, discontinued operations	-	-4,982	-549	-5,531
Depreciations on disposals and reclassifications	-	5,477	2,394	7,871
Exchange rate differences	-11	302	36	327
Accumulated depreciation at 31 Dec 2019	**-79**	**-41,300**	**-14,990**	**-56,369**
Business acquisitions	-	-	-	-
Depreciations, continuing operations	-27	-9,914	-3,902	-13,842
Depreciations on disposals and reclassifications	-	4,938	3,670	8,608
Exchange rate differences	8	-444	-81	-516
Accumulated depreciation at 31 Dec 2020	**-98**	**-46,719**	**-15,303**	**-62,119**
Carrying amount				
31 December 2020	682	30,008	13,860	44,550
31 December 2019	234	34,740	11,084	46,058

9. Intangible assets

EUR thousand	Goodwill	Customer relationships	Trademarks and other immaterial rights	Other capitalised expenditure	Advance payments and work in progress	Total
Cost at 1 Jan 2019	**158,845**	**3,724**	**45,774**	**61,089**	**50**	**269,482**
Business acquisitions	29,553	-	2,285	60	-	31,898
Transferred to assets held for sale	-29,727	-	-9	-6,440	-	-36,176
Additions	-	-	-	1,522	30	1,552
Disposals	-	-	-	-377	-28	-404
Reclassifications	-	-	30	299	-38	291
Exchange rate differences	-57	-68	-300	267	6	-153
Cost at 31 Dec 2019	**158,614**	**3,655**	**47,780**	**56,421**	**19**	**266,490**
Business acquisitions	660	-	-	-	-	660
Additions	-	-	-	667	45	712
Disposals	-566	-	-4	-21	-16	-608
Reclassifications	-	-	5	372	-30	346
Exchange rate differences	358	150	664	-472	-4	696
Cost at 31 Dec 2020	**159,066**	**3,806**	**48,445**	**56,966**	**13**	**268,296**
Accumulated depreciation and impairment losses at 1 Jan 2019	**-126**	**-1,100**	**-6,159**	**-51,331**	**-**	**-58,716**
Transferred to assets held for sale	126	-	9	4,993		5,128
Depreciations, continuing operations	-	-361	-946	-3,888		-5,195
Depreciations, discontinued operations	-	-	-	-200		-200
Depreciations on disposals and reclassifications	-	-	-	366		366
Exchange rate differences	-	15	-32	-260		-276
Accumulated depreciation and impairment losses at 31 Dec 2019	**-**	**-1,446**	**-7,128**	**-50,321**	**-**	**-58,894**
Depreciations, continuing operations	-	-364	-1,047	-3,153		-4,565
Depreciations on disposals and reclassifications	-	166	-162	22		26
Exchange rate differences	-	-69	52	464		447
Accumulated depreciation and impairment losses at 31 Dec 2020	**-**	**-1,713**	**-8,285**	**-52,988**	**-**	**-62,986**
Carrying amount						
31 December 2020	159,066	2,093	40,160	3,978	13	205,310
31 December 2019	158,614	2,210	40,652	6,100	19	207,596

10. Goodwill and intangible assets with indefinite useful lives

The impairment testing of goodwill and trademarks were performed for Fazers cash generating units; Fazer Bakeries, Fazer Confectionery and Fazer Lifestyle Foods, according to the current business organization and responsibilities. In 2020, Fazer decided to merge the Fazer Retail business unit into Fazer Confectionary and thus from 2020 onwards it is included in Fazer Confectionery's impairment test. Based on the conducted impairment testing there was no need to record an impairment for goodwill or trademarks during the current or previous financial period.

	31 December 2020			31 December 2019		
EUR thousand	**Goodwill**	**Trade marks *)**	**Discount rate (WACC) **)**	**Goodwill**	**Trade marks *)**	**Discount rate (WACC) **)**
Fazer Bakery	12,618	-	10.6	12,573	-	10.3
Fazer Confectionery	81,161	18,476	6.9	80,994	18,476	6.9
Fazer Lifestyle Foods	65,287	18,134	6.8	65,047	17,418	6.8
Total	**159,066**	**36,609**		**158,614**	**35,893**	

* Intangible assets with indefinite useful lives
** Before tax (%)

The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (discounted cash flow method). The planning period for cash flows is five years. The cash flow projections are based on a long-term financial plan which is based on the strategy approved by the management. In defining the long-term plans for each CGU, the management makes use of growth, demand, and price estimates by market research institutions. Furthermore, the estimated sales and profits and the CGU specific long-term plan are used in the calculations. Cash flows after the forecast period have been extrapolated at a constant growth factor of 1% or 2%. The discount rate applied to cash flow projections is the weighted average cost of capital (WACC) as defined by Fazer, in which company specific risk premiums are considered. The components of WACC are risk-free long-term government bond rates, market and industry risk premiums, cost of debt and target capital structure.

Fazer has estimated the effects of uncertainty that the COVID-19 pandemic has on future cash flows in the goodwill impairment tests.

Sensitivity analysis

The sensitivity analyses of goodwill impairment tests indicate that no reasonable change in the central assumptions, which could be considered as somewhat likely, could result in impairment loss of goodwill.

11. Financial assets and liabilities

11.1 Financial assets and liabilities by categories

Fair values of financial assets and liabilities by measurement category

	31 December 2020				31 December 2019			
EUR thousand	Carrying amount	Fair value through profit or loss	Fair value trough OCI	Amortised cost	Carrying amount	Fair value through profit or loss	Fair value trough OCI	Amortised cost
Assets								
Non-current financial assets	11,653	3,110	8,544	-	3,110	3,110	-	-
Non-current receivables	57,448	-	-	57,448	5,155	-	-	5,155
Trade receivables	113,881	-	-	113,881	120,936	-	-	120,936
Derivative instruments	1,739	1,523	216	-	1,113	506	607	-
Current financial assets	26,467	26,467	-	-	2,000	2,000	-	-
Cash and cash equivalents	345,580	-	-	345,580	40,554	-	-	40,554
Liabilities								
Leasing liabilities, non-current	31,589	-	-	31,589	33,145	-	-	33,145
Other non-current liabilities	-	-	-	-	5,722	2,717	-	3,005
Leasing liabilities, current	12,605	-	-	12,605	12,741	-	-	12,741
Commercial paper	77,920	-	-	77,920	109,485	-	-	109,485
Other current interestbearing liabilities	10,201	-	-	10,201	12,207	-	-	12,207
Trade payables	105,731	-	-	105,731	87,891	-	-	87,891
Derivative instruments	1,867	1,664	202	-	490	160	330	-

The fair value of financial assets and liabilities substantially equals their carrying amounts.

Fazer does not presently have a legally enforceable right of set-off of financial derivative assets and liabilities, and thus these assets and liabilities have not been set off in the balance sheet. The company has entered into ISDA and corresponding local agreements regulating the offsetting of financial derivative assets and liabilities in specified cases. In case of such offsetting by each counterparty to the derivative instruments, the amount of assets and liabilities after offsetting would equal EUR 655 (715) thousand and EUR 780 (92) thousand, respectively. There are no open commitments due to ISDA agreements.

The Group has strategic equity investments which are not held for trading and for which classification as fair value through other comprehensive income is considered more relevant. On disposal of these investments any related balance is reclassified to retained earnings. A positive change of fair value in the amount of EUR 1,194 thousand has been recognized in other comprehensive income in relation to such equity investments.

Fazer has a consideration receivable amounting EUR 57.1 million from Compass Group that arose from the sale of the Fazer Food Services business. The buyer has the right to pay the debt yearly between 1 October and 31 January in the five years following the closing of the transaction. After this, Fazer has the right to claim the buyer to pay its debt payment yearly between 1 October and 31 January. However, the receivable will expire on 1 February 2027 at the latest. The receivable is measured at amortized cost and is discounted to present value using a discount rate of 0.7%. The counterparty credit risk of Compass Group associated with the receivable has at the balance sheet date been estimated as very low. The deal also includes the possibility of an additional purchase price, which Fazer has estimated to be EUR 0 in the financial statements.

Financial assets and liabilities measured at fair value are classified in accordance with the following fair value hierarchy:

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

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

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

Fair value hierarchy in the statement of financial position

	31 December 2020			31 December 2019		
EUR thousand	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at FVOCI						
Hedge accounted derivatives	-	216	-	-	607	-
Non-current financial assets	-	-	8,544	-	-	-
Assets measured at FVPL						
Non-current financial assets	-	-	3,110	-	-	3,110
Current financial assets	-	26,467	-	-	-	2,000
Derivatives, non-qualifying	-	1,523	-	-	506	-
Liabilities measured at FVOCI						
Hedge accounted derivatives	-	202	-	-	330	-
Liabilities measured at FVPL						
Derivatives, non-qualifying	-	1,664	-	-	160	-
Other non-current liabilities	-	-	-	-	-	2,717

11.2 Hedging activities and derivatives

Hedging gains and losses in operating profit

EUR thousand	2020	2019
Cash flow hedge accounted		
Currency hedges	-468	587
Non-qualifying hedges		
Commodity hedges	28	10
Total	**-439**	**597**
Revenue		
Currency hedges	-59	54
Purchases		
Currency derivatives	-409	533
Commodity derivatives	28	10
Total	**-439**	**597**

Fair values of derivative instruments

	31 December 2020			31 December 2019		
EUR thousand	**Pos.**	**Neg.**	**Net**	**Pos.**	**Neg.**	**Net**
Cashflow hedge accounted currency derivatives	140	-97	43	450	-68	382
Cashflow hedge accounted commodity derivatives	76	-105	-29	157	-262	-105
Non-qualifying currency derivatives	29	-863	-834	401	-64	337
Non-qualifying commodity derivatives	1,494	-802	692	105	-96	9
Total	**1,739**	**-1,867**	**-128**	**1,113**	**-490**	**623**

Nominal values of derivative financial instruments

EUR thousand	31 December 2020	31 December 2019
Currency forward contracts	87,327	156,927
Currency options	8,000	-
Commodity futures	15,161	12,019
Commodity options	-	4,125

Derivatives maturity repayments

	31 December 2020		31 December 2019	
EUR thousand	**2021**	**2022**	**2020**	**2021**
Gross settlement				
Currency derivatives, cashflow hedges				
Inflow	17,202	-	20,850	-
Outflow	17,100	-	20,305	-
Currency derivatives, non-qualifying				
Inflow	70,004	-	137,060	-
Outflow	70,807	-	136,616	-
Commodity derivatives, cashflow hedges				
Inflow	2,648	-	405	-
Outflow	4,485	-	5,561	5,647
Commodity derivatives, non-qualifying				
Inflow	411	-	2,063	-
Outflow	5,318	2,299	2,469	-
Net settlement				
Commodity derivatives, cashflow hedges				
Inflow	76	-	97	60
Outflow	105	-	142	120
Commodity derivatives, non-qualifying				
Inflow	1,019	475	105	-
Outflow	690	112	96	-

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

11.3 Financial risk management

The Group is exposed to various financial risks such as foreign exchange risks, commodity risks, interest rate risks, liquidity and refinancing risks, and counterparty risks. The Treasury Policy (Policy) approved by the Board of Directors defines the objectives and principles within which the financial risks are to be managed in the Group. The financial risk management is centralised to the Group Treasury in the parent company. The Group Treasury functions as the internal bank for the Group, offering financial services to the Group companies. The Group Commodity Risk Management Policy, approved by the Board of Directors, governs the commodity specific risk management policies. These policies more specifically define the principles for each of the most central commodities. The Group aims to operate with low risk in all financing activities. All transactions in financial derivative instruments are undertaken to manage risks and financial costs arising from underlying business or financing activities.

Foreign exchange risk – transaction risk

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

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

Foreign currency exposure, 31 December 2020

EUR thousand	GBP	NOK	RUB	SEK	USD
Net trade receivables and payables	-2,107	929	312	5,763	-1,180
Bank accounts	541	1,028	356	2,525	-19
Loans and deposits	-	-	-16,399	58,006	570
Foreign exchange hedges	18,773	-	19,789	-44,144	2,344
Operative exposure, net of hedges	**17,207**	**1,957**	**4,058**	**22,150**	**1,715**

Foreign currency exposure, 31 December 2019

EUR thousand	GBP	NOK	RUB	SEK	USD
Net trade receivables and payables	-1,878	75	543	34	-53
Bank accounts	-1,189	-2,333	50	-57,870	-2,630
Loans and deposits	-	-	-16,152	12,017	1,246
Foreign exchange hedges	18,542	4,069	14,866	91,946	3,107
Operative exposure, net of hedges	**15,475**	**1,811**	**-693**	**46,127**	**1,670**

The above position does not include forecast cashflows. As for bank accounts, a negative currency-specific balance in the Group's multicurrency cash pool is shown as a negative value under the respective currency. A 10% adverse change in the foreign exchange rates of GBP, NOK, RUB, SEK and USD would result in a loss of EUR 1.6 (1.4) million, EUR 0.2 (0.2) million, EUR 0.4 (0.1) million, EUR 2.2 (4.2) million and EUR 0.2 (0.2) million, respectively, in the net result. An adverse change in the foreign exchange rate refers to a weakening of the currency. In the comparison year the adverse change in the foreign exchange rate refers to weakening in the above currencies, except in the case of RUB. A 10% adverse move in GBP and USD foreign exchange rates would result in EUR 1.7 (1.2) million decrease in equity.

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

Foreign exchange risk – translation risk

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

The table below shows the estimated impact on consolidated equity of 10% strengthening of the foreign currencies against euro, assuming hedging transactions have not been entered into. A 10% weakening of the foreign currencies would have approximately equal opposite effect.

	31 December 2020					
EUR thousand	**NOK**	**RUB**	**SEK**	**DKK**	**JPY**	**USD**
Equity	1,618	56,152	54,382	1,726	-2,145	36
Change in equity	180	6,239	6,042	192	-238	4

	31 December 2019					
EUR thousand	**NOK**	**RUB**	**SEK**	**DKK**	**JPY**	**USD**
Equity	30,239	68,373	219,288	31,513	-2,204	79
Change in equity	3,360	7,597	24,365	3,501	-245	9

Commodity risk

The Group is exposed to raw material price risks particularly in grain products and cocoa, as well as to electricity price risks. According to commodity specific risk management policies, minimum 100% of the subsequent 3 months' need of grain and 6 months' need of cocoa is required to be covered. Maximum 100% of the total raw material need during subsequent 12 months for cocoa, after which declining levels of coverage may be applied up to 24 months, and 16 months for grain may be hedged by a combination of stock, physical contracts and financial instruments. The Grain Risk Management Policy applies to grain purchases in Finland; the pricing mechanism differs in other Fazer markets, and the Group hedging principles are not applicable in all countries due to regulatory issues. The Cocoa Risk Management Policy applies to all cocoa purchases. Maximum 100% of the electricity need for the current year may be covered by physical contracts and financial derivatives. Declining levels of coverage are applied until the end of the third calendar year following the current calendar year. The Electricity Risk Management Policy applies for electricity purchases in Finland, Sweden and the Baltic countries.

The Group uses wheat options and futures to hedge grain exposures. At the end of the financial year grain derivatives in the amount of EUR 0.8 (0.4) million were outstanding. A 10% change in the price of wheat derivatives would have an impact of EUR 0 (41) thousand on the operating profit. The change would not impact equity as the grain derivatives are not hedge accounted. As of 31 December 2020, the wheat derivative position was closed. At the end of the financial year cocoa derivatives in the amount of EUR 7.1 (8.2) million were outstanding, which are hedge accounted. A 10% change in the price of cocoa derivatives would have an impact of EUR 0.1 (0.3) million in the fair value reserve. Gains and losses from wheat derivatives are recorded in material expenses in the income statement, and from cocoa derivatives in material expenses and fair value reserve in equity. The Group hedges against price risks inherent in electricity by entering into derivative agreements. At the end of the financial year electricity derivatives in the amount of EUR 7.2 (7.6) million were outstanding. A 10% change in the price would have an impact of EUR 0.7 (0.8) million on the operating profit. The change would not impact equity as the electricity derivatives are not hedge accounted.

Interest rate risk

The Group is exposed to interest rate risk to the extent it holds interest bearing assets and liabilities. According to Treasury Policy, a minimum of 30% of the forecast 12 months' interest bearing net debt shall be hedged, provided that the interest bearing net debt exceeds EUR 30 million. For the purposes of interest rate hedging, the interest-bearing net debt position does not include leasing liabilities or employment benefit liabilities. In 2020 and 2019 the interest-bearing net debt has not exceeded EUR 30 million, and thus no interest rate hedges have been entered into.

At the end of the financial year the Group's interest-bearing net debt, including leasing liability, was EUR -213.3 (127.0) million. Cash and cash equivalents increased from previous year by EUR 305 million to EUR 345.6 (40.6) million at the end of 2020. With the exception of the lease liabilities the debt is floating rate based. Assuming stable interest-bearing net debt position, one percentage point parallel upward shift in interest rates level would cause a EUR 0.3 (-0.8) million increase in the Group's interest gain. The calculation reflects the fact that above interest-bearing net debt consists partly of fixed rate debt.

Liquidity and refinancing risk

Liquidity risk is minimised by ensuring a liquidity reserve that covers the operative day-to-day liquidity needs, needs that arise due to unexpected weakening of the cashflow, and needs that are created due to strategic actions such as acquisitions. The sale of Fazer Food Services business to Compass Group at the end of January 2020 led to a substantial increase of cash. This excess cash was further invested in interest funds, commercial papers and bank accounts. As of 31 December 2020, there were no investments in interest funds. Fazer reacted to the COVID-19 pandemic's effects on the financial markets by withdrawing a part of its revolving credit facility, increasing its operating cash reserves and further enhancing the monitoring of its receivables. The management monitors the cashflow development of the Group by compiling short and long term cash forecasts covering periods up to 18 months. At the end of the financial year the liquidity reserve consisted of an unused committed multicurrency revolving credit facility in the amount of EUR 140 (140) million, EUR 40 million loan facility with European Investment Bank, short term money market investments in the amount of EUR 26.5 (13.5) million and of cash and bank in the amount EUR 345.6 (27.1) million. The final maturity date of the multicurrency revolving credit facility is in December 2022. The loan facility with EIB matures at the latest in May 2029. The Group also has bilateral Commercial Paper (CP) programs in place with several Nordic banks. The CP programs are available until further. Fazer have complied with the financial covenants in its loan agreements during 2020 as well as 2019, and management expects this situation to continue.

The maturities of the liabilities are presented in the table below. The interest rates applied on the loans, with the exception of leasing liabilities, are variable. The liabilities are mainly denominated in EUR; of leasing liabilities EUR 31.3 (29.2) million equivalent is denominated in EUR, EUR 12.3 (16.1) million in SEK, EUR 0.0 (0.1) million in NOK, EUR 0.1 (0.2) million in DKK and EUR 0.4 (0.3) million in RUB. As per end of 2019 the entire multicurrency revolving credit facility of EUR 140 million, as well as the EUR 40 million loan facility from EIB, were unutilised. The facility is used as back up facility for general corporate purposes. The interest margin on the facility depends on the utilisation level and certain financial ratios of the Group. The EIB loan will be used to finance the xylitol plant investment in Lahti as well as reseach and development in the Group. The loan margin is fixed.

Contractual maturity repayments on financial liabilities, 31 December 2020

EUR thousand	< 1 year	1-5 years	5-10 years	> 10 years
Commercial papers	78,000	-	-	-
Leasing liabilities	11,972	27,873	4,917	2,459
Accounts payable	105,731	-	-	-
Derivatives - gross outflow	97,710	2,299	-	-
Derivatives - gross inflow	-90,264	-	-	-
Other	10,202	-	-	-
	213,351	**30,172**	**4,917**	**2,459**

Contractual maturity repayments on financial liabilities, 31 December 2019

EUR thousand	< 1 year	1-5 years	5-10 years	> 10 years
Commercial papers	109,500	-	-	-
Leasing liabilities	10,121	32,051	5,112	130
Accounts payable	87,891	-	-	-
Derivatives - gross outflow	164,951	5,647	-	-
Derivatives - gross inflow	-160,378	-	-	-
Other	12,309	3,000	-	-
	224,394	**40,698**	**5,112**	**130**

Financial transactions counterparty credit risk

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

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

11.4 Reconciliation of financial liabilities

	Current		Non-current		
EUR thousand	Leasing liabilities	Interest-bearing liabilities	Leasing liabilities	Interest-bearing liabilities	Total
1 January 2020	**12,741**	**121,690**	**33,145**	**-**	**167,577**
Proceeds of debt	-	190,530	15,351	-	205,881
Repayment of debt	-14,121	-224,100	-	-	-238,221
Business acquisitions	9	-	428	-	438
Transfer between non-current and current	15,084	-	-15,084	-	-
Exchange rate differences	129	-	257	-	386
Other non-cash movements	-1,237	-	-2,508	-	-3,745
31 December 2020	**12,605**	**88,121**	**31,589**	**-**	**132,315**

	Current		Non-current		
EUR thousand	Leasing liabilities	Interest-bearing liabilities	Leasing liabilities	Interest-bearing liabilities	Total
1 January 2019	**21,289**	**61,346**	**51,726**	**-**	**134,361**
Proceeds of debt	-	73,196	22,455	-	95,651
Repayment of debt	-25,295	-34,163	-	-	-59,458
Business acquisitions	555	21,311	1,866	-	23,732
Transfer to liabilities related to asset held for sale	-9,900	-	-15,231	-	-25,131
Transfer between non-current and current	26,618	-	-26,618	-	-
Exchange rate differences	-201	-	-402	-	-603
Other non-cash movements	-325	-	-650	-	-975
31 December 2019	**12,741**	**121,690**	**33,145**	**-**	**167,577**

11.5 Capital management

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

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

EUR thousand	31 Dec 2020	31 Dec 2019
Interest-bearing net debt	-213,265	127,024
Total equity	934,555	563,686
Net debt to equity ratio	-22.8 %	22.5 %
Total equity	934,555	563,686
Liabilities	388,278	391,569
Advance payments	668	771
Equity ratio	70.7%	52.6%

12. Inventories

EUR thousand	31 Dec 2020	31 Dec 2019
Materials and supplies	47,883	50,816
Work in progress	4,231	3,721
Finished products	31,218	31,924
Total	**83,332**	**86,462**

13. Trade and other non interest-bearing receivables

EUR thousand	31 Dec 2020	31 Dec 2019
Trade receivables	113,881	120,936
Other receivables	10,565	7,454
Advance payments	968	1,170
Accruals	9,089	10,148
Total	**134,504**	**139,708**
Accruals		
Derivative instuments	1,640	1,081
Other accruals	7,449	9,067
Total	**9,089**	**10,148**

	31 December 2020				
EUR thousand	**Undue**	**Past due up to 90 days**	**91-180 days past due**	**Past due over 180 days**	**Total**
Expected loss rate	0.0 %	3.6 %	15.0 %	36.9 %	
Gross carrying amount	109,847	3,851	24	546	114,267
Loss allowance provision	43	138	4	201	386
Carrying amount					**113,881**

	31 December 2019				
EUR thousand	**Undue**	**Past due up to 90 days**	**91-180 days past due**	**Past due over 180 days**	**Total**
Expected loss rate	0.0 %	19.2 %	88.8 %	18.4 %	
Gross carrying amount	112,677	9,119	984	1,013	123,793
Loss allowance provision	44	1,752	874	187	2,856
Carrying amount					**120,936**

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is EUR 114.3 (123.8) million. In 2019, the loss allowance provision was affected by the Russian retail chain that became insolvent at the end of year. It increased the amount of expected credit losses especially in 91-180 days past due as well as to some extent in less than 90 days past due, thus affecting comparability between years. The receivables in question have been written off as credit losses in 2020.

Reconciliation of loss allowance provision

EUR thousand	31 Dec 2020	31 Dec 2019
Loss allowance as at 1 January	**2,856**	**715**
Increase in provision recognised in profit or loss in other expenses during the period	-197	2,763
Receivables written off during the year as uncollectible	-2,273	-454
Transferred to assets held for sale	-	-168
Loss allowance as at 31 December	**386**	**2,856**

The liabilities recognised by Fazer Group in relation to contracts with customers relate to variable contract components such as volume discounts and bonuses. These liabilities amounts to EUR 10.7 (10.8) milloin. No contract assets have been recognised in the financial statements of 2020 or 2019.

14. Cash and cash equivalents

EUR thousand	31 Dec 2020	31 Dec 2019
Cash and bank	194,869	27,085
Short-term deposits	150,711	13,469
Total	**345,580**	**40,554**

15. Issued capital and equity reserves

Share capital and shares

	Number of shares			
EUR / numbers thousand	Preference shares	Ordinary shares	Total	Share capital
31 December 2019	3,959	2,365	6,324	126,479
Share issue	382	-	382	7,646
31 December 2020	**4,341**	**2,365**	**6,706**	**134,125**
Number of votes	**4,341**	**23,652**	**27,993**	

At the end of the period, the share capital was EUR 134,125 thousand and the total number of parent companies' shares was 6,706,239 of which 4,341,039, or 64.7%, were preference shares and 2,365,200 or 35.3%, were ordinary shares. All issued shares have been fully paid. The maximum number of preference shares is 14,620,320 and the maximum of ordinary shares is 9,460,800, so that the total number of the shares is 24,081,120 at maximum. Each preference share carries one vote and each ordinary share carries ten (10) votes. The total votes attached to all shares was 27,993,039. Preference shares carry a preferential right to dividends, amounting to at least 6% of the share's nominal amount, ahead of ordinary shares in connection to the yearly distribution of the dividends.

Dividends

After the closing date, the Board of Directors has proposed that EUR 14.40 per share be distributed as dividends.

Translation differences

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

Hedge reserve

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

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

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

Other reserves

EUR thousand	31 Dec 2020	31 Dec 2019
Hedge reserve	13	134
Non-current financial assets, fair value through other comprehensive income	1,194	-
Total	**1,206**	**134**

Retained earnings

EUR thousand	31 Dec 2020	31 Dec 2019
Translation differences	-20,352	-12,900
Retained earnings	646,096	380,403
Total	**625,744**	**367,503**

16. Provisions

EUR thousand	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2020	**282**	**1,824**	**200**	**2,306**
Increase of provisions	104	160	43	308
Released during the period	-215	-181	-	-396
Reversals of unused provisions	-57	-	-	-57
Exchange rate differences	10	71	-42	39
31 Dec 2020	**124**	**1,874**	**201**	**2,199**
Current	124	145	201	470
Non-current	-	1,729	-	1,729

EUR thousand	Restructuring	Restoration of leased premises	Other	Total
1 Jan 2019	**382**	**1,949**	**299**	**2,630**
Transfer to liabilities related to asset held for sale	-	-19	-	-19
Provision additions	176	20	14	210
Released during the period (-)	-270	-93	-40	-403
Reversals of unused provisions	-	-	-91	-91
Exchange rate differences	-6	-34	19	-21
31 Dec 2019	**282**	**1,824**	**200**	**2,306**
Current	282	66	200	548
Non-current	-	1,758	-	1,758

Provisions

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

17. Leases

The Groups leasing contracts consits mainly of leases various properties, equipments and cars. Leasing contracts are typically made for an indefinite period or fixed period of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The amount of right to use assets and depreciations in relation to them can be found in note 8. The leasing liability is specified below and information regarding the maturity can be found in note 11.3 under liquidity and refinancing risk. Leasing liabilities not included in the balance sheet can be found in note 20.

Leasing liabilities included in the interestbearing debt

EUR thousand	31 Dec 2020	31 Dec 2019
Current	12,605	12,741
Non-current	31,589	33,145
Total	**44,195**	**45,887**

Depreciations in relation to right to use asset arising from leasing contracts amounted to EUR 13.8 (13.5) million and the are included in depreciation, amortization and impairment in the consolidated profit or loss statement. A more detailed specification of them can be found in note 8. Other impacts that leasing contracts have on the continuing operations profit or loss statement can be found in the schedule below.

EUR thousand	2020	2019
Items in financial expenses		
Interest expenses	552	551
Items in other operating expense		
Expense relating to short-term leases	332	130
Expense relating to low-value assets	1,459	1,979
Expense relating to until further notice contracts	970	1,027
Expense relating to variable lease payments	22,099	17,720
Total, included in other operating expenses	**24,860**	**20,857**

Leases not yet commenced, which the Group is committed to, amounted to EUR 18.1 (23.9) million as at 31 December 2020.

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

18. Pensions and other post-employment benefit plans

Fazer has defined benefit pension plans in Sweden, Finland and Russia. The main defined benefit plans at 31 December 2020 in the Group were in Sweden and Finland.

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

Current ITP 2-plans in Sweden are secured through a pension insurance with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this constitutes a multi-employer defined benefit plan. For the fiscal year 2020, the group did not have access to such information that would enable the group to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined benefit plan according to IAS19.

Consequently, the ITP 2-plan secured through an insurance with Alecta is recorded as a defined contribution plan. In addition to this Fazer has an old ITP 2-plan, which is safeguarded with a credit insurance with PRI Pensionsgaranti. There are no actives in this plan.

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

Total costs recognized in the income statement

EUR thousand	2020	2019
Current service cost	99	145
Settlements	-	-141
Interest cost	74	114
Total	**173**	**118**

Employee benefit assets and liabilities recognised in the balance sheet

EUR thousand	31 Dec 2020	31 Dec 2019
Present value of funded obligations	1,900	1,872
Fair value of plan assets	-1,836	-1,890
Funded status	64	-18
Present value of unfunded obligations	4,048	4,211
Net defined benefit liability (+) / asset (-)	**4,113**	**4,193**
Total defined benefit liability in the balance sheet	4,113	4,193
Total defined benefit liability in the balance sheet	**4,113**	**4,193**

Present value of obligations and fair value of plan assets

	2020			2019		
EUR thousand	Present value of obligation	Fair value of plan assets	Net benefit liability/ (asset)	Present value of obligation	Fair value of plan assets	Net benefit liability/ (asset)
Carrying value, at 1 January	**6,083**	**-1,890**	**4,193**	**7,030**	**-2,848**	**4,182**
Transfer to liabilities related to assets for sale	-	-	-	-831	795	-37
Current service cost	99	-	99	4	-	4
Interest expence (+) / income (-)	89	-15	74	144	-30	114
Total recognized in the income statement	187	-15	173	148	-30	118
Actuarial gain and loss on obligations arising from changes in financial assumptions	-1	-31	-32	538	-94	444
Actuarial gain and loss on obligations arising from experience adjustments	85	-20	65	-213	-54	-267
Return on plan assets in excess of the amount included in interest expense (+) and interest income (-)	-	-	-	-	-	-
Total remeasurement gains (-) and losses (+) included in OCI	**84**	**-51**	**34**	**324**	**-148**	**177**
Contributions by employers and paid benefits	-298	-87	-384	-341	-1	-342
Settlements						
Paid benefits	-	92	92	-5	88	82
Settlements	-150	150	-	-235	235	-
Exchange rate difference	41	-35	5	-6	19	13
Carrying value, at 31 December	**5,949**	**-1,836**	**4,113**	**6,083**	**-1,890**	**4,193**

The expected contributions to be paid to the defined benefit plans in 2021 are EUR 293 thousand.

Defined benefit plans typically expose the Group to the following actuarial risks:

Actuarial Changes in bond yields

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

Life-expectancy

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

Final salary

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

Defined beneft plans assumptions (wighted average) used in calculating benefit obligations

	2020	2019
Discount rate%	1.05%	1.48%
Future pension increase%	1.22%	1.34%
Salary increase%	1.84%	1.99%
Inflation%	1.42%	1.64%
Duration	12.9	13.3

Analysis of plan assets

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

Sensitivity analysis of defined benefit plan

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

Assumption	Change in assumption	Change in DBO
Discount rate	+ 0.50%	-400,653
	- 0.50%	449,259
Inflation	+ 0.50%	424,614
	- 0.50%	-386,214
Mortality	+ 1 year	219,272
	- 1 year	-212,987

19. Trade payables and other non interest-bearing liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Trade payables	105,731	87,891
Other current liabilities	18,668	17,045
Advance payments	668	771
Accrued expenses and prepaid income	101,419	85,409
Total	**226,486**	**191,116**

Accrued expenses and prepaid income		
Derivatives	1,768	457
Personnel related accruals	65,434	62,505
Rents	158	92
Other accruals	34,059	22,355
Total	**101,419**	**85,409**

20. Commitments and contingencies

EUR thousand	31 Dec 2020	31 Dec 2019
Raw material purchases	45,994	66,661
Leasing	2,901	3,190
Other	-	260
Total	**48,894**	**70,111**

The company has made realestate investments under the Value Added Tax Act, whose revisions and annual auditable amounts are EUR 14.2 (9.6) million from years 2012 - 2020.

Disputes and litigations

The Group's management does not have knowledge of any open disputes or litigations, which would have a significant impact on the Group's financial position.

21. Related party transactions

The Group's related parties include the Board of Directors, the CEO and Group management team, their closely related family members as well as companies or joint ventures owned by them. The group companies has not have significant transactions with these parties during the financial year.

The Group's related parties also include subsidaries owned directly or indirectly by the parent company as well as associated companies. Related party transactions include such transactions with related parties, which have not been eliminated in the consolidated financial statements.

2020

EUR thousand	Sale of goods and services	Purchases of goods and services	Receivables	Liabilities
Management and Board of Directors	-	-	-	-
Associated companies	-	-	-	-
Total	**-**	**-**	**-**	**-**

2019

EUR thousand	Sale of goods and services	Purchases of goods and services	Receivables	Liabilities
Management and Board of Directors	-	-	-	-
Associated companies	606	3	72	88
Total	**606**	**3**	**72**	**88**

Employee benefits of Board of Directors, CEO and members of the management team

EUR thousand	2020	2019
Short-term benefits	8,551	5,772
Long-term benefits	1,134	1,100
Total	**9,685**	**6,872**

In addition to monthly compensation Group management team members are part of the Group's bonus system as well as long-term incentive program. The CEO and other members of the management team, have the right, if the company terminates the contract, depending on the person, to equivalent compensation of 12-24 months salary including termination period.

22. Discontinued operations

On 11 June 2019, Fazer announced the sale of Fazer Food Service to Compass Group Plc. The divestment was completed on 31 January 2020 after the competition approval from the European Commission was received. The operations have been reclassified as discontinued operations in 2020 and 2019 financial statements.

The financial performance, assets and liablities as well as cash flow information for discontinued operations 2020 and 2019 are presented below. There were no assets and related liabilities classified as held for sale in 2020.

EUR thousand	2020	2019
Revenue	50,783	597,317
Gain on sale of Fazer Food Services	414,276	-
Expenses	-47,565	-552,609
Result before taxes	417,494	44,708
Income taxes	-9,698	-9,271
Result from discontiued operations	**407,796**	**35,437**

EUR thousand	31 Dec 2020	31 Dec 2019
Assets		
Goodwill	-	29,601
Intangible assets	-	1,447
Property, plant and equipment	-	50,070
Investments in associated companies	-	1,271
Deferred tax receivables	-	941
Inventories	-	9,742
Trade and other receivables	-	76,149
Cash and cash equivalents	-	2,692
Total assets	**-**	**171,914**
Liabilities		
Interest-bearing liabilities	-	25,131
Other non-current liabilities	-	1,507
Provisions	-	19
Trade and other payables	-	86,628
Deferred tax liabilities	-	3,844
Total liabilities	**-**	**117,128**

EUR thousand	2020	2019
Net cash flow from operating activities	17,956	44,882
Net cash flow from investing activities	386,821	-5,825
Net cash flow from financing activities	28,090	-38,647

23. Business acquisitions and disposals

On 17 January 2020, Fazer announced the acquisition of the bakery and mill operations from Vuohelan Herkku Oy as a part of the Fazer Bakery business area. The acquisition was completed on 24 January 2020. Vuohelan Herkku is one of the forerunners of gluten-free baking in Finland.

Vuohelan Herkku's impact on Group revenue was EUR 5.3 million and on operating profit EUR 0.2 million. If the acquisition had taken place on 1 January 2020, management estimates that the impact on Group revenue would have been approximately EUR 5.6 million and on operating profit EUR 0.2 million. The preliminary fair value of intangible assets acquired is EUR 0.1 million. A negative goodwill amounting to EUR 1.3 million arose from the acquisition and it has a positive impact on the period's result. The Group profit for 2020 includes acquisition-related costs of EUR 0.2 million.

On 19 June 2019, Fazer announced that they have agreed to acquire the shares in Kaslink Oy as a part of the Fazer Lifestyle Foods business area. The acquisition was completed on 15 August 2019 after the Finnish competetition authorities approved the transaction. Kaslink is a company specialiced in developing and manufacturing premium food products, where sustainably proceded domestic oat is an integral component.

Kaslink's impact on Group revenue was EUR 23.6 million and on operating profit EUR -2.4 million. If the acquisition had taken place on 1 January 2019, management estimates that the impact on Group revenue would have been approximately EUR 60.8 million and on operating profit EUR -4,4 million. The preliminary fair value of intangible assets acquired (including among others customer relationships and brands) is EUR 2.3 million. The EUR 29.6 million goodwill arising from the acquisition reflects market share and business knowledge. The Group profit for 2019 includes acquisition-related costs of EUR 1.5 million.

Below is a summary of the fair values of assets aquired and liabilities assumed at the date of the aquisition as well as the cash flow impact of the aquisition.

EUR thousand	Vuohelan Herkku	Kaslink
Assets		
Intangible assets	91	2,343
Property, plant and equipment	9,108	40,898
Deferred tax receivables	-	1,274
Inventories	228	5,117
Trade and other receivables	1	2,678
Cash and cash equivalents	0	1,024
Total assets	**9,429**	**53,334**
Liabilities		
Interest-bearing liabilities	1,484	23,785
Provisions	-	-
Trade and other short-term payables	598	6,643
Deferred tax liabilities	-	3,577
Total liabilities	**2,083**	**34,006**
Net assets	7,346	19,328
Consideration paid	6,090	48,881
Goodwill		**29,553**
Negative goodwill	**-1,255**	
Cash flow impact of acquisition		
Acquisition cost	6,090	48,881
Cash and cash equivalents acquired	0	-1,024
Decrease (+) / increase (-) in contingent consideration liability	-	-270
Cash flow impact	**6,090**	**47,587**

In 2020 Fazer completed its divestment of Fazer Food Services business to Compass Group Plc. The divestment was completed on 31 January 2020 after the competition approval from the European Commission was received. The operations have been classified as discontinued operations in 2020 and 2019 financial statements. Below is a summary of the sold business assets and liabilities, gain of the divestment as well as the cash flow impact.

EUR thousand	Fazer Food Services business
Assets	
Goodwill	29,379
Intangible assets	1,440
Property, plant and equipment	50,712
Investments in associated companies	1,319
Deferred tax receivables	858
Inventories	10,788
Trade and other receivables	66,235
Cash and cash equivalents	48,758
Total assets	**209,489**
Liabilities	
Long-term interest-bearing liabilities	24,822
Short-term interest-bearing liabilities	1,489
Provisions	19
Trade and other payables	92,199
Deferred tax liabilities	4,079
Total liabilities	**122,608**
Net assets	**86,881**
Reconciliation of gain on sale of Fazer Food Services	
Consideration to be paid in cash	501,591
Net assets sold	-86,881
Contingent consideration	-
Transaction fees	-8,597
Translation differences and other exchange rate differences	10,120
Other items relating to the transaction	-1,956
Net result from sale of operations	**414,276**

EUR thousand	
Consideration to be paid in cash	501,591
Transaction fees paid	-8,597
Cash and cash equivalents of divested operations	-48,758
Receivable in relation to the divestment	-57,051
Cash flow impact	**387,184**

In 2019, Fazer sold real estates in Stockholm, Sweden and St Petersburg, Russia. The assets of the sold real estates amounted to EUR 3.5 million and liabilities to EUR 2.9 million. The transaction had an EUR 8.8 million positive impact on the cash flow and it resulted in a EUR 7.8 million gain, which is included in other operating income.

24. Subsidiaries

	Country	Group ownership (%) 2020	2019
Owned by the parent			
Fazer Bakeries B.V.	The Netherlands	70	70
Fazer Finland Oy	Finland	100	100
Fazer Food AB	Sweden	-	80
Fazer Konfektyr AB	Sweden	-	100
Fazer Leipomot Oy	Finland	100	100
Fazer Makeiset Oy	Finland	100	100
Fazer Ravintolat Oy	Finland	100	100
Oy NIS - Nordic Industrial Sales Ab	Finland	51	51
Kaslink Oy	Finland	100	100
Owned by other group companies			
Fazer Sweden AB	Sweden	100	100
Fazer Konfektyr AB	Sweden	100	100
Crestjoy Oy	Finland	70	70
Fazer Bageri AB	Sweden	100	100
Fazer Eesti OÜ	Estonia	100	100
Fazer Food Services AB *	Sweden	-	80
Fazer Food Services AS *	Norway	-	80
Fazer Food Services A/S *	Denmark	-	80
Fazer Food Services Oy *	Finland	-	80
Fazer Food OÜ *	Estonia	-	80
Fazer Norway AS	Norway	100	100
Fazer Denmark ApS	Denmark	100	100
Fruits Company K.K. (prev. Froosh K.K)	Japan	100	100
Kiinteistö Oy Helsingin Kanneltori	Finland	100	100
OOO Avangard	Russia	70	70
OOO Fazer	Russia	70	70
OOO Fazer Bakeries Invest	Russia	70	70
SIA Fazer Latvija	Latvia	100	100
Startplace Oy	Finland	70	70
UAB Fazer Lietuva	Lithuania	100	100
Fazer USA Inc.	The USA	100	100
Kaslink Foods Oy	Finland	100	100
Kaslink Aito Oy	Finland	100	100
Associated companies			
Semma Oy *	Finland	-	45
Unica Oy *	Finland	-	49

*) These companies form discontinued operations.

Changes in Group structure during 2020

Fazer Leipomot Oy acquired Kinteistö Oy Kanelipuu in January 2020.

Fazer Food AB disposed of its holdings in Fazer Food Services AB, Fazer Food Services AS, Fazer Food Services A/S, Fazer Food Services Oy and Fazer Food OÜ in January 2020. In connection to this the interest in the associated companies Semma Oy and Unica Oy was also transferred.

Oy Karl Fazer Ab acquired the remaining of the shares in Fazer Food AB in June 2020 and in November 2020 Fazer Food AB was merged into Oy Karl Fazer Ab.

Kiinteistö Oy Kanelipuu was merged into Fazer Leipomot Oy in November 2020.

Kaslink Foods Oy and Kaslink Aito Oy was merged into Kaslink Oy in January 2021, after which Kaslink Oy was merged into Fazer Finland Oy.

Fazer Konfektyr AB was merged into Fazer Sweden Ab in January 2021.

25. Non-controlling interests

EUR thousand	Fazer Bakeries B.V. Group The Netherlands 2020	2019
Non-controlling interests share of voting right	30%	30%
Current assets	196,505	199,483
Non-current assets	46,435	61,959
Current liabilities	23,804	26,985
Non-current liabilities	4,479	5,589
Revenue	145,594	164,149
Costs and other income	-142,450	-157,287
Result for the period	3,144	6,862
Result attributable to non-controlling interests	943	2,059
Total other comprehensive income for the period	-14,296	15,301
Total other comprehensive income attributable to non-controlling interests	-4,289	4,590
Non-controlling interests share of equity	21,773	26,062
Dividents paid to non-controlling interests	-	-

EUR thousand	Fazer Food AB Sweden 2020	2019
Non-controlling interests share of voting right	-	20%
Current assets	-	33,181
Non-current assets	-	85,493
Current liabilities	-	1,671
Non-current liabilities	-	-
Revenue	-	-
Costs and other income	-	-135
Result for the period	-	1,290
Result attributable to non-controlling interests	-	258
Total other comprehensive income for the period	-	-859
Total other comprehensive income attributable to non-controlling interests	-	-172
Non-controlling interests share of equity	-	23,401
Dividents paid to non-controlling interests	-	-

EUR thousand	Oy NIS - Nordic Industrial Sales Ab Finland 2020	2019
Non-controlling interests share of voting right	49%	49%
Current assets	1,882	1,683
Non-current assets	10	16
Current liabilities	797	701
Non-current liabilities	10	15
Revenue	6,930	6,940
Costs and other income	-6,525	-6,574
Result for the period	406	365
Result attributable to non-controlling interests	199	179
Total other comprehensive income for the period	404	364
Total other comprehensive income attributable to non-controlling interests	198	178
Non-controlling interests share of equity	532	481
Dividents paid to non-controlling interests	147	147

Fazer acquired the outstanding 20% share of non-controlling interest in Fazer Food AB in June 2020. The cost of the shares was EUR 115.9 million and a decrease in non-controlling interest of EUR 116.1 million was recorded. The shares were paid in kind by issuing 382,276 new preference shares to the holders of the non-controlling interest. The consideration was EUR 0.2 million lower than the non-controlling interest included in equity. As a result, equity attributable to the owners of the parent company increased EUR 0.2 million. There were no transactions with non-controlling interests in 2019.

26. Events after the reporting period

On 9 February 2021, Fazer Bakery Sweden announced that it had entered a re-seller agreement with the bakery sales company Polfärskt in order to enhance the service level Fazer Bakery Sweden can offer its customers. The agreement will come into effect by the summer 2021. As a result, Fazer Bakery's own field sales and distribution organisation in Sweden will be discontinued. Moreover, Fazer plans to close its bakery in Lund in the autumn of 2021. A more concentrated bakery network suits Fazer's product range better and creates better conditions for baking more efficiently and sustainably. The plan is to move production from Lund to Fazer's bakeries in Umeå, Eskilstuna and Lidköping. Negotiations with the unions are ongoing. The changes affect all 495 employees including sales extras within field sales and distribution as well as 69 employees in the Lund bakery. Fazer supports all employees affected by the change.

After the year-end, the COVID-19 pandemic has continued to directly and indirectly influence Fazer's businesses, which has led to new collaboration negotiations.

Parent company financial statements

1. Parent Company income statement

EUR	Notes	2020	2019
Revenue	5.1	**76,217,375.69**	**94,847,222.58**
Other operating income	5.2	425,815,489.67	24,672,661.27
Materials and services		-32,020.59	-249.20
Personnel costs	5.3	-14,664,030.65	-12,074,377.33
Depreciation and impairments	5.4	-10,423,959.07	-11,170,028.29
Other operating costs	5.5	-80,021,869.12	-88,687,461.29
Operating profit/loss		**396,890,985.93**	**7,587,767.74**
Financial income and expenses	5.6	-18,890,890.20	-1,535,681.85
Profit/loss before income tax and appropriations		**378,000,095.73**	**6,052,085.89**
Appropriations	5.7	42,334,328.94	56,300,350.88
Income taxes	5.8	-13,542,934.29	-12,349,590.80
Profit for the year		**406,791,490.38**	**50,002,845.97**

2. Parent Company balance sheet

EUR	Notes	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	6.1	41,067,644.73	47,241,843.07
Tangible assets	6.2	30,073,317.67	29,187,844.09
Investments	6.3	888,128,966.02	1,040,655,739.08
Total non-current assets		**959,269,928.42**	**1,117,085,426.24**
Current assets			
Long-term receivables	6.4	161,071,005.35	28,000,000.00
Short-term receivables	6.5	149,062,468.40	176,839,298.75
Financial assets	6.6	26,467,111.35	-
Cash and cash equivalents		330,203,518.93	27,036,163.96
Total current assets		**666,804,104.03**	**231,875,462.71**
TOTAL ASSETS		**1,626,074,032.45**	**1,348,960,888.95**
EQUITY AND LIABILITIES			
Equity	6.7		
Share capital		134,124,780.00	126,479,260.00
Reserve for invested unrestricted equity		108,249,094.92	-
Retained earnings		566,405,677.30	573,950,894.63
Profit for the financial year		406,791,490.38	50,002,845.97
Total equity		**1,215,571,042.60**	**750,433,000.60**
Appropriations	6.8	**1,810,767.73**	**1,745,096.67**
Liabilities			
Long-term liabilities	6.9	1,734,252.78	4,734,252.78
Short-term liabilities	6.10	406,957,969.34	592,048,538.90
Total liabilities		**408,692,222.12**	**596,782,791.68**
TOTAL EQUITY AND LIABILITIES		**1,626,074,032.45**	**1,348,960,888.95**

3. Statement of cash flows for the Parent Company

EUR thousand	2020	2019
Cash flows from operating activities		
Result before appropriations and taxes	378,000	6,052
Adjustments (1	-371,115	13,312
Change in working capital (2	25,806	14,439
Interests received	3,027	2,723
Interests paid	-3,842	-3,622
Other financial income and expenses, net	1,741	-297
Dividends received	153	153
Income taxes paid	-12,385	-15,612
Net cash from operating activities	**21,386**	**17,148**
Cash flows from investing activities:		
Purchase of tangible and intangible assets	-5,332	-1,034
Proceeds from sale of tangible and intangible assets	49,587	224
Investments in shares of subsidiaries	-	-50,428
Proceeds from sale of shares of subsidiaries	33,995	-
Investment in other non-current assets	-5,260	-2,000
Investment in current financial assets	-326,469	-
Proceeds from sale of current financial assets	297,206	-
Net cash from investing activities	**43,727**	**-53,238**
Cash flows from financing activities:		
Increase in loan receivables	-172,378	-22,437
Decreae in loan receivables	125,439	22,794
Proceeds from debt	735,703	31,420
Repayment of debt	-203,943	-35,763
Net change of balance in group cash pool	-180,410	-24,218
Net change of commercial papers	-66,508	60,991
Group contributions paid and received, net	57,700	60,400
Dividends paid	-57,548	-60,078
Net cash from financing activities	**238,054**	**33,109**
Net increase (+) decrease (-) in cash and cash equivalents	**303,167**	**-2,982**
Cash and cash equivalents at beginning of period	27,036	30,018
Cash and cash equivalents at end of period	**330,204**	**27,036**

1) Adjustments		
Depreciations and impairments	10,424	11,170
Financial income and expenses	18,891	1,536
Transactions presented in cash flows from investing activities	-79,155	-
Non-cash income and expenses	-321,274	607
Total adjustments	**-371,115**	**13,312**

2) Change in working capital		
Decrease (+) / (-) increase in short term receivables	5,149	40,861
Decrease (-) / (+) increase in short term payables	20,657	-26,422
Change in working capital	**25,806**	**14,439**

4. Principles for preparing financial statements in parent company

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

VALUATION PRINCIPLES

Non-current assets

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

The lifetimes are:

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

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

Financial instruments

Derivative instruments are measured at fair value. Currency forwards are valued at fair value for contracts with corresponding time to maturity. The values are calculated as difference between the spot and forward rates on the closing day. Any change in interest cost or income is included in the valuation. Changes in fair values are presented in interest income or expenses as well as in exchange rate gains or losses. Exchage rate items are presented net as either income or loss.

Derivatives are used to hedge foreign currency denominated balance sheet items, operative flows and to manage liquidity.

Changes in the fair value of derivatives are recognised in the financial items in the income statement.

Fazer Group hedges against wheat price risks using wheat options and futures. Raw material derivatives are valued at market prices. Generally accepted valuation models are applied to perform valuation. In the parent company gains and losses related to raw material derivatives are recognised under financial items in the income statement. External raw material hedges are executed by Oy Karl Fazer Ab. Intragroup hedges are made between Oy Karl Fazer Ab and its subsidiaries.

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

Research and development expenditures

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

Pensions

Pension costs are expensed in the year they incur.

CASH FLOW STATEMENT

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

5. Notes to the profit and loss statement

5.1 Revenue

Revenue by geographical area

EUR thousand	2020	2019
Finland	58,003	68,113
Other Nordic Countries	16,250	24,328
Russia	1,101	1,233
The Baltics	804	1,114
Other	60	60
Total	**76,217**	**94,847**

5.2 Other operating income

EUR thousand	2020	2019
Rental income	1,673	2,118
Sale of services	23,423	22,338
Sale of fixed assets *	400,429	-
Other	291	217
Total	**425,815**	**24,673**

* Includes Fazer Food AB merger gain and profit of selling shares and leisure properties

5.3 Personnel expenses and number of employees on average

EUR thousand	2020	2019
Salaries and wages	12,111	9,968
Pension expenses	1,750	1,484
Other social security costs	803	622
Total	**14,664**	**12,074**
Management salaries and fees		
Managing Director and Board members	3,201	1,493

Some of the parent company directors have a collective pension arrangement, which gives them right to retire at the age of 60 or 62. Pension liabilty has been insured in Finnish life insurance company and it's covered by annual payments.

The number of employees on average for the period was 59 (69).

5.4 Depreciations and amortisations

EUR thousand	2020	2019
Immaterial rights	6,449	6,428
Other capitalised expenditure	2,869	3,657
Buildings and structures	578	578
Machinery and equipment	398	394
Other tangible assets	130	113
Total	**10,424**	**11,170**

5.5 Other operating expenses

EUR thousand	2020	2019
Rents and other real estate expenses	677	653
Marketing and communication expenses	1,081	1,078
IT- and telecommunication expenses	18,492	20,523
Administrative and other expenses	59,771	66,433
Total	**80,022**	**88,687**

Fees to the auditor

EUR thousand	2020	2019
PricewaterhouseCoopers Oy		
Audit fees	112	103
Other services	246	10
Total	**358**	**113**

5.6 Financial income and expenses

EUR thousand	2020	2019
Dividens from Group companies	153	153
Dividens from others	-	-
Interest income from Group companies	2,263	1,525
Interest income from others	2,386	1,377
Other financing income	1,871	2
Financial income total	**6,674**	**3,058**
Interest expenses to Group companies	-8,256	-3,453
Interest expenses to others	-4,370	-299
Exchange rate gains and losses, net	-10,515	-414
Other financing expenses	-2,424	-427
Financial expenses total	**-25,565**	**-4,593**
Financial income and expenses, net	**-18,891**	**-1,536**

5.7 Appropriations

EUR thousand	2020	2019
Depreciation difference (- increase / + decrease)	-66	-1,400
Group contributions, received	62,500	63,200
Group contributions, given	-20,100	-5,500
Total	**42,334**	**56,300**

5.8 Income taxes

EUR thousand	2020	2019
Tax on income from operations	-13,543	-12,514
Tax for previous accounting periods	-	165
Total	**-13,543**	**-12,350**

6. Notes to the balance sheet

6.1 Intangible assets

EUR thousand	Immaterial rights	Other capitalised expenditures	Total
Cost at 1 Jan 2019	**66,701**	**40,344**	**107,045**
Additions	-	580	580
Disposals	-	-35	-35
Reclassifications	-	267	267
Cost at 31 Dec 2019	**66,701**	**41,156**	**107,857**
Additions	2,641	503	3,144
Disposals	-	-	-
Reclassifications	-	-	-
Cost at 31 Dec 2020	**69,342**	**41,659**	**111,001**
Accumulated depreciation and impairment losses at 1 Jan 2019	**-18,363**	**-32,189**	**-50,552**
Depreciations for the period	-6,428	-3,657	-10,085
Depreciations on disposals	-	22	22
Reclassifications	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2019	**-24,791**	**-35,824**	**-60,615**
Depreciations for the period	-6,449	-2,869	-9,318
Depreciations on disposals	-	-	-
Reclassifications	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2020	**-31,241**	**-38,693**	**-69,933**
Carrying amount			
31 Dec 2020	38,101	2,966	41,068
31 Dec 2019	41,910	5,332	47,242

6.2 Tangible assets

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost at 1 Jan 2019	**3,083**	**17,642**	**6,050**	**1,906**	**997**	**29,677**
Additions	-	-	109	153	193	454
Disposals	-	-	-	-	-224	-224
Reclassifications	-	-	406	83	-757	-267
Cost at 31 Dec 2019	**3,083**	**17,642**	**6,565**	**2,142**	**209**	**29,640**
Additions	-	-	6	14	2,168	2,188
Disposals	-195	-375	-47	-6	-	-623
Reclassifications	-	-	-	73	-73	-
Cost at 31 Dec 2020	**2,888**	**17,266**	**6,524**	**2,222**	**2,304**	**31,204**
Revaluations 31 Dec 2019	**8,671**					**8,671**
Revaluations 31 Dec 2020	**8,671**					**8,671**
Accumulated depreciation and impairment losses at 1 Jan 2019	**-**	**-2,396**	**-4,828**	**-815**	**-**	**-8,039**
Depreciations for the period	-	-578	-394	-113	-	-1,085
Depreciations on disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2019	**-**	**-2,974**	**-5,222**	**-928**	**-**	**-9,124**
Depreciations for the period	-	-578	-398	-130	-	-1,106
Depreciations on disposals	-	375	47	5	-	427
Reclassifications	-	-	-	-	-	-
Accumulated depreciation and impairment losses at 31 Dec 2020	**-**	**-3,177**	**-5,573**	**-1,053**	**-**	**-9,803**
Carrying amount						
31 Dec 2020	11,559	14,090	951	1,169	2,304	30,073
31 Dec 2019	11,754	14,667	1,343	1,214	209	29,187

6.3 Investments

EUR thousand	Shares in subsidiaries	Other shares and holdings	Total
Cost at 1 Jan 2019	**986,963**	**3,264**	**990,227**
Additions	50,428	-	50,428
Disposals	-	0	0
Cost at 31 Dec 2019	**1,037,391**	**3,264**	**1,040,656**
Additions	115,900	7,349	123,249
Disposals	-275,776	-	-275,776
Cost at 31 Dec 2020	**877,515**	**10,614**	**888,129**

Information of Oy Karl Fazer Ab's ownership in other companies as at 31 December 2020 can be found in note 24 to the consolidated financial statements.

6.4 Long term receivables

EUR thousand	31 Dec 2020	31 Dec 2019
Loan receivables from Group companies	104,020	25,000
Other receivables	57,051	3,000
Long term receivables total	**161,071**	**28,000**

6.5 Short-term receivables

EUR thousand	31 Dec 2020	31 Dec 2019
Trade receivables	243	481
Receivables from Group companies	139,254	168,381
Other loan receivables	-	2,000
Other receivables	5,514	1,575
Accruals	4,052	4,402
Total	**149,062**	**176,839**
Receivables from Group companies		
Trade receivables	4,099	9,290
Loan receivables	56,413	87,098
Group contribution	62,500	63,200
Other receivables	12,979	5,331
Accruals	3,263	3,462
Total	**139,254**	**168,381**
Material items in accruals		
Accrued income taxes	106	1,179
Derivatives	1,632	991
Other	2,313	2,232
Total	**4,052**	**4,402**

6.6 Financial assets

EUR thousand	31 Dec 2020	31 Dec 2019
Carrying amount	26,467	-
Fair value	26,474	-
Difference	7	-

The company invests excess liquidity in interest funds and other highly liquid short term debt instruments in order to secure return on them. Fazer Group's treasury policy defines what investments can be made, but essentially the investments need to meet certain credit quality and duration. More information from the notes 11.1 - 11.3 in the consolidated financial statements.

6.7 Equity

EUR thousand	31 Dec 2020	31 Dec 2019
Restricted equity		
Share capital 1.1	126,479	126,479
Share issue	7,646	-
Share capital 31.12	**134,125**	**126,479**
Restricted equity total	**134,125**	**126,479**
Non-restricted equity		
Reserve for invested unrestricted equity 1.1	-	-
Share issue	108,249	-
Reserve for invested unrestricted equity 31.12	**108,249**	**-**
Retained earnings 1.1	623,954	634,029
Payment of dividends	-57,548	-60,078
Retained earnings 31.12	**566,406**	**573,951**
Profit for the period	406,791	50,003
Non-restricted equity total	**1,081,446**	**623,954**
Total equity	**1,215,571**	**750,433**

Shares

Number of shares	31 Dec 2020	31 Dec 2019
Preference shares	4,341,039	3,958,763
Ordinary shares	2,365,200	2,365,200
Total	**6,706,239**	**6,323,963**

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

6.8 Appropriations

EUR thousand	31 Dec 2020	31 Dec 2019
Accumulated depreciation difference	1,811	1,745
- unrecognised deferred tax liability	362	349

6.9 Long-term liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Deferred tax liability	1,734	1,734
Other liabilities	-	3,000
Long-term liabilities total	**1,734**	**4,734**

Deferred tax liabilities arises from the following

EUR thousand	31 Dec 2020	31 Dec 2019
Revaluations	1,734	1,734
Total	**1,734**	**1,734**

6.10 Short-term liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Other interest bearing liabilities	10,200	12,200
Trade payables	4,606	3,041
Commercial papers	77,914	109,485
Liabilities to group companies	289,935	459,830
Advances received	381	381
Other liabilities	3,004	1,411
Accruals	20,917	5,701
Total	**406,958**	**592,049**
Liabilities to Group companies		
Other interest bearing liabilities	256,432	448,115
Trade payables	12,179	5,564
Group contributions	20,100	5,500
Accrued liabilities	1,224	651
Total	**289,935**	**459,830**
Material items in accruals		
Accrued tax liability	1,057	-
Wages, salaries and social expenses	6,559	4,615
Interests	118	79
Other	13,183	1,006
Total	**20,917**	**5,701**

7. Collaterals and commitments

7.1 Guarantees

Guarantees given on behalf of other Group companies

EUR thousand	31 Dec 2020	31 Dec 2019
Guarantees	7,175	16,762

7.2 Leasing an rental liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Due for payment the following financial period	1,142	1,340
Due for payment later	1,121	1,109
Total	**2,263**	**2,450**

7.3 Other contingent liabilities

EUR thousand	31 Dec 2020	31 Dec 2019
Others	-	284

The company has made investments in real estatets for which, in accordance with local Value Added Tax Act, there is an responsibility to repay VAT that have been deducted for the last 10 years in connection with investments. This responsibility is linked, from a VAT perspective, to the type of operations conducted in the real estate. Below are the yearly liabilities based on the qualifying investments for the last 10 years.

EUR thousand	31 Dec 2020	31 Dec 2019
2013	2	2
2014	23	23
2016	2,505	2,505
2017	50	50
2018	11	11
2019	-	-
2020	-	-
Total	**2,591**	**2,591**

7.4 Derivatives

All derivative instruments in Fazer Group were made by the parent company and all contracts were made with external counterparties. More information regarding derivatives and financial risk management is disclosed in notes 11.1 - 11.3 to the consolidated financial statements as well as in the accounting policies.

All derivative instruments are categorised in Level 2 of the fair value hierarchy (a more detaild description can be found in note 11.1 to the consolidated financial statements). The fair value of all derviatives are measured through profit or loss and they are included in finacial income and expenses. The fair value of the derivatives equals their carrying amount at year-end.

Fair values of derivatives

	31 Dec 2020			31 Dec 2019		
EUR thousand	Pos.	Neg.	Net	Pos.	Neg.	Net
Currency derivatives	266	-1,100	-834	919	-582	337
Commodity derivatives	1,691	-1,035	656	282	-282	-
Total	**1,957**	**-2,135**	**-178**	**1,201**	**-864**	**337**

Nominal values of derivatives

EUR thousand	31 Dec 2020	31 Dec 2019
Currency forward contracts	104,427	177,232
Currency options	8,000	-
Commodity futures	23,078	8,925
Commodity options	-	8,251

Calculation of key figures

$$\text{Return on equity (\%)} = \frac{\text{Result for the period}}{\text{Equity, average of the beginning and end of the period}}$$

$$\text{Equity ratio (\%)} = \frac{\text{Equity}}{\text{Equity + liabilities - advances received}}$$

$$\text{Gearing (\%)} = \frac{\text{Interestbearing liabilities - cash and cash equivalents}}{\text{Equity}}$$

Signatures of the board of directors report and financial statements

Vantaa, 18th March 2021

Berndt Brunow
Chairman of the Board of Directors

Anders Dreijer
Vice Chairman of the Board of Directors

Klaus Cawén
Member of the Board of Directors

Ketil Eriksen
Member of the Board of Directors

Jan Fazer
Member of the Board of Directors

Johan Linder
Member of the Board of Directors

Cecilia Marlow
Member of the Board of Directors

Juhani Mäkinen
Member of the Board of Directors

Casper von Koskull
Member of the Board of Directors

Christoph Vitzthum
Chief Executive Officer

Auditor's note

Our auditors' report has been issued today

Helsinki, 18th March 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Martin Grandell
Authorised Public Accountant