



Media release

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Fazer continued stable growth – new strategy aims for international expansion

In 2011, Fazer continued to strengthen positions in the company's main markets despite a challenging market situation. The Group's turnover increased by 4.1 per cent, and the Group's operating profit was 54.2 million euros. The successful new product launches, increased sales and development of the operations strengthened the result of the Group but at the same time, the challenging market situation and especially the new confectionery tax weakened it. In 2011, Fazer Group remodelled its business strategy and aims to be an international company that is successful and highly valued also outside its current main markets by 2016.

'I'm very proud to state that we have succeeded in strengthening our position in all of our main markets despite the economic situation in Europe and the changes in the food industry,' says **Karsten Slotte**, President of Fazer Group.

'Our success factors are strong brands, high-quality products and services, and committed, competent employees. The growth is based on innovative new product launches, robust sales and marketing measures and improved internal processes. These are an excellent basis for continuing profitable growth on the global markets', Karsten Slotte says.

Fazer's new five-year strategy aims for profitable growth through strong brands, a winning operating model and expansion. By 2016, Fazer is going to be an international company that is successful and highly valued also outside its current main markets.

'Fazer's mission is to create taste sensations. It is based on high quality and delicious taste, products and services that bring well-being and pleasure, and a responsible way of working,' says Karsten Slotte.

According to Karsten Slotte, Fazer is well equipped for international success.

'In the bakery business, particularly high growth potential is seen in Sweden and Russia. The confectionery business is seeking faster growth outside Finland, especially in Asia. In catering services, the focus is on North European markets and increasing other sales besides lunches,' he outlines.



Summary of Fazer's year 2011

- Turnover increased by 4.1 per cent and amounted to 1,575.5 million euros (1,513.6 M€ in 2010).
- Operating profit amounted to 54.2 million euros (58.5 M€) and the operating profit's share of turnover was 3.4 per cent (3.9%).
- Return on equity (ROE) decreased slightly and was 5.3 per cent (7.3%).
- Equity ratio increased and amounted to 58 per cent (54%).
- Gearing went down to 19 per cent (21%)
- Balance sheet total was 933.3 million euros (981.8 M€).
- The number of employees at the end of the year was 15,198 (16,573).

The best overall results were achieved in Russia, where both result and market position developed favourably. In Finland and Sweden, changes in consumer behaviour had an influence on Fazer's bakery operations. Increase in catering services was particularly strong in Finland and Sweden and development was strong in Denmark and Norway, too. Also the positive exchange rate effects, Swedish krona against euro, speeded up the growth. The situation in the Baltic countries was the most challenging due to price competition. The net effect on the Group's turnover of acquired and divested operations was -7.3 million euros.

In 2011, the changed market conditions affected Fazer mainly through higher prices of the most important raw materials such as flour, fish and dairy products, instability of the financial market and signs of uncertainty in consumer behaviour.

Fazer's market position strengthened in Finland

Fazer's position as the market leader in the Finnish confectionery market continued to strengthen in 2011. Once again, Finns chose Karl Fazer Milk Chocolate as the most valued brand in Finland in 2011, and the Fazer brand came second.

The confectionery tax implemented at the beginning of 2011 increased consumer prices by nearly 13 per cent, and the confectionary market fell by approximately four per cent. Fazer's production volume decreased by 3.5 per cent. The confectionery tax was raised in the beginning of 2012 by 26.7 per cent.

Fazer strengthened its position also on the Finnish bread market. Consumers are increasingly favouring locally baked bread. Fazer responded to consumers' wishes by opening 5 and acquiring 8 new local bakeries in different parts of Finland during 2011.

'Fazer's 38 local bakeries employ 270 local professionals and are closer to the consumers. At the local bakeries, most of the products are baked on the spot right under consumers' eyes. Our goal is to have 50 local bakeries by 2015,' Karsten Slotte explains.

Changing consumption patterns have affected the food industry, and they have also had an impact on Fazer's business. Due to weaker financial performance than expected, Fazer closed its bakeries in Turku and Seinäjoki.

Fazer Food Services improved its profitability and retained its market leader position in Finland. The success was based on improved efficiency, resulting from renewed operating models. Sales have increased particularly in food services outside lunch hours.



'We still see a growth potential in breakfasts, snacks, takeaway products and meals', Karsten Slotte comments.

Summary of Fazer's other business operations

Fazer improved the results of its Swedish bakery business, strengthened its market position and grew profitably in a falling market. Fazer responded to the increased demand for hand-baked bread by acquiring Sweden's leading artisan bakery Gateau. Fazer's confectionery business in Sweden grew profitably and increased its market share.

Fazer decided to focus on high-quality contract catering services and gave up its conference service business in Sweden. The profitability of Fazer's catering service business improved significantly because of improved sales and more efficient and developed operations. Business also continued to develop positively in Norway and Denmark.

Fazer grew profitably in Russia and became the largest bakery company in the Moscow area. The growth resulted especially from launches of new added-value products and the expansion of frozen product operations.

Fazer maintained its market position in the Baltic countries, but the result fell because of a tough price competition. Fazer sold its catering business in the Baltic countries to the local management.

Corporate responsibility is an inseparable part of Fazer's brands and identity

In 2011, consumers' interest in corporate responsibility questions rose and the food industry had an increasingly important role in the field of corporate responsibility.

'Quality, safety and employment are objects of growing interest. We have responded to this increased demand by providing our stakeholders with products and services that suit a responsible lifestyle', Karsten Slotte says.

The main focus in 2011 was on promoting the environmental programme, responsible sourcing, and the Consumer and Responsibility area.

'In spring 2011, we launched a Carbon Flower label, which indicates the climate load of the product. In autumn 2011, Fazer Food Services arranged a Baltic Sea Diet theme week in Amica restaurants. The meals consisted of locally produced, low-carbon ingredients. Our packaging development also received a certificate of biodegradability for the wrapping of Fazermint chocolate pralines. This information will be included on the package starting in 2012', Karsten Slotte summarizes.

In 2011, 62 per cent of the electricity acquired by Fazer in Finland was produced using hydropower and 10 per cent using wind power. In 2012, renewable energy sources will account for 100 per cent of the electricity used by Fazer Bakeries & Confectionery in Finland.

Fazer shared first place in TNS Gallup's survey on Finnish companies' reputation and responsibility. The survey was conducted in the end of 2011 among the public.



More information on Fazer's responsibility: www.fazer.com/Responsibility/

Outlook for the future

The economic uncertainty is expected to continue in Europe. Raw material price increases are not expected to be as severe as in 2011.

'We aim for strengthening our market position and creating prerequisites to develop our operations and profitable growth. According to Fazer's strategy, we are building a permanent competitive edge through innovative usage of its leading brands, efficient business processes and an agile organisation', Karsten Slotte says. 'Fazer's year 2012 has begun well. With highly appreciated brands, excellent and committed experts, and a good cash flow and strong balance sheet Fazer is well equipped for the future'.

Group President Karsten Slotte's video speech is available at <http://youtu.be/yhPi6PiOjpl>

Annual review 2011

Fazer's Annual review 2011 is published on Fazer's web page www.fazer.com. A printed copy of the Annual review can be ordered by email from [toimistopalvelut\(at\)fazer.com](mailto:toimistopalvelut(at)fazer.com) or through our web pages under Annual reviews.

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Fazer Group

The origins of Fazer Group lie in a family company founded in 1891 when Karl Fazer opened his first café in Helsinki. Today the Group offers meals, bakery and confectionery products and operates in a total of eight countries. Its operations are based on passion for customer, quality excellence and team spirit. The Group operates in two business areas which are committed to creating taste sensations: Fazer Food Services and Fazer Bakeries & Confectionery. Fazer Group's turnover for 2011 was nearly 1.6 billion euros. The Group employed ca 15,200 people in 2011.

Fazer Food Services is a leading contract catering company in the Nordic countries, offering customers delicious food and tailor-made service solutions. Fazer Food Services has over 1,200 restaurants in Finland, Sweden, Norway, Denmark and Russia.

Fazer Bakeries & Confectionery

Fazer is Finland's and Russia's leading bakery company, second largest in Sweden and one of the leading ones in the Baltic region. Bakery products are manufactured in Finland, Sweden, Estonia, Latvia, Lithuania and Russia. In confectionery business Fazer is Finland's leading company and a strong player in the Baltic Sea region. The confectionery factories are located in Finland: in Vantaa (chocolate products), Lappeenranta (sugar confectionery) and Karkkila (chewing gum).