Lagkagehuset A/S

Dortheavej 10, 2400 Copenhagen NV

CVR no. 20 21 30 94

Annual report 2023

Approved at the Company's annual general meeting on 24 June 2024

Chair of the meeting:

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Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Lagkagehuset A/S for the financial year 1 January - 31 December 2023.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 18 April 2024
Executive Board:

Lisa Rossen Borch

Board of Directors:

Joachim Bernhard Knudsen
Chairman

Lisa Rossen Borch

Kennet Skyggelund Wienecke

Jesper Mark Dixen

Independent auditor's report

To the shareholder of Lagkagehuset A/S

Opinion

We have audited the financial statements of Lagkagehuset A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 18 April 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed State Authorised Public Accountant mne28677	Peter Andersen State Authorised Public Accountant mne34313

Management's review

Company details

Name	Lagkagehuset A/S
Address, Postal code, City	Dortheavej 10, 2400 Copenhagen NV
CVR no.	20 21 30 94
Established	27 June 1997
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.lagkagehuset.dk
E-mail	info@lagkagehuset.dk
Board of Directors	Joachim Bernhard Knudsen, Chairman Lisa Rossen Borch Kennet Skyggelund Wienecke Jesper Mark Dixen
Executive Board	Lisa Rossen Borch
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Nordea SEB

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
Key figures					
Revenue	1,068,558	1,011,785	905,220	830,222	962,136
Gross profit	447,362	408,701	409,471	378,250	485,798
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-54,458	-68,525	70	-87,924	-16,089
Profit/loss before net financials	-128,924	-141,763	-72,588	-170,800	-113,246
Net financials	-13,381	-6,234	-11,677	-3,301	-17,230
Profit/loss before tax	-142,305	-147,997	-84,265	-174,101	-130,476
Profit/loss for the year	-136,597	-144,874	-82,365	-171,301	-118,749
Fixed assets	332,935	366,544	371,818	398,280	427,993
Non-fixed assets	294,548	258,613	174,562	238,640	71,840
Total assets	627,483	625,157	546,380	636,920	499,833
Investments in property, plant and equipment	27,910	49,345	34,324	41,479	105,876
Equity	204,927	291,524	236,399	318,765	22,954
Provisions	13,756	13,756	24,374	25,365	21,440
Non-current liabilities other than provisions	51,877	55,260	67,459	46,570	23,189
Current liabilities other than provisions	356,923	264,617	218,148	246,220	432,250
Financial ratios					
Operating margin	-12.1%	-14.0%	-8.0%	-20.6 %	-11.8 %
Return on assets	-6.7%	-12.9%	-7.9%	-18.2%	-7.9%
Current ratio	82.5%	97.7%	80.0%	96.9%	16.6%
Equity ratio	32.7%	46.6%	43.3%	50.0%	4.6%
Return on equity	-55.0%	-54.9%	-29.7%	-100.3%	-144.2%
Average number of full-time employees	911	932	892	948	1,053

For terms and definitions of financial ratios, please see the accounting policies.

Management's review

Data ethics

In the Danish business model, we use analytics and digital solutions where large amounts of data are processed. Our Data Ethics Policy confirms our commitment towards the respect of our customers and employees as a main pillar in our core values. The Company wants to maintain high ethical standards for the protection of our data, especially our customers, why security measures include a variety of guidelines and processes as well as targeted training of our employees to prevent any unintended disclosure. The data which the Company collects, and stores is mainly commercial data, beneficial and value-adding to our customers and stakeholders, and such commercial data includes trading patterns across our markets.

Business review

Our history dates back more than 30 years, when two bakers set out on a similar journey to revolutionise the bread experience in Denmark. Ole Kristoffersen and Steen Skallebæk opened their respective bakeries in Christianshavn, Copenhagen and Haderslev, Southern Jutland in the early 1990s. Ole and his wife Jane's first bakery was located in a building that since its origin in 1931 became renowned for its simplistic and functional style that looked like a layer cake – and hence the name Lagkagehuset or The Layer-cake-house in English was born. Ole and Steen both had a clear focus on quality based on principles of taste, edge and rustic baking style. They quickly became known in each their communities and in 2008 they joined forces in their pursuit of bringing exceptional bakery quality to more communities.

Today, 30 years later, we have taken the original passion for Danish bakery abroad with the ambition to become the most loved bakery. In 2016, we opened our first international bakery in London and the Danish bakery experience quickly got the attention of the locals – now we operate 140 bakery shops across Denmark, London, and New York. It is with this deep passion for Danish bakery that we continue to pursue our ambition by creating a better bakery for all – and why we named our international bakeries after our founding two bakers – Ole & Steen.

During the past years we have focused on emphasizing our values rooted in the founding principles of Ole & Steen, and throughout our business we are driven by three core values.

Heart-made: We believe that if something is worth doing, it's worth doing right – from hospitality to recipe development, to store design and sustainability initiatives – everything we do, we throw ourselves into 100% with love and attention.

Rustic, Refined: Born out of Ole & Steen's mission to revolutionise the bread experience in Denmark, we have always been dedicated to taking rustic recipes and refining them – it's simple done well.

Everyday special: From the feeling you get when you step foot through our doors, to the delicious treats you bring back for your loved ones, we want the experience to be that extra special spark in your day.

The Company is 100% owned by Danish Bake A/S and is a part of the consolidated financial statements of Danish Bake Holding ApS for the year ended 31 December 2023.

Financial review

The Company closes 2023 at 5.6% revenue growth and an improved EBITDA of DKK 14 million over previous year. Sales increases through strong organic growth in our stores.

EBITDA improvements are below management's expectations for the year because of the continued cost pressure in the Groups's production costs as the 2022 cost hike in raw materials, production salaries and electricity carried into 2023 and peaked during 1st half of the year. In addition to the unfavorable production cost development, group companies have been impacted negatively by general market inflation well above historical targets that has increased the general cost base, including rent payments and payments for external services. During 2nd half of the year raw material and electricity cost started to drop which is expected to deliver cost reductions during 2024.

Salary increases across the business has been significantly higher compared to previous year, mainly driven by the 2023 union agreements in the Danish market that will impact 2024 and 2025 as well.

Towards the end of the year we started a general refurbishment and modernization of our Copenhagen Airport locations in connection with the airports rebuild of terminal areas. The work is expected to be concluded in Q1 2024.

Management's review

From a commercial point of view the general weakening in consumer confidence has continued from 2022 and various marketing and operational initiatives has been implemented to reduce impact to the business.

During the year, we have continued to develop our digital interaction with customers through our loyalty app. The app allows to regularly engage with customers on news, real time feedback and special offers. In 2023, we have continued to develop our instore “Click & Collect” and delivery solutions which has been well received by customers.

In the beginning of the summer, the market introduced our first national advertising campaign - “Ugens” – that on a rotating basis offers our well known, quality products at even greater value. The campaign has been supported by significant investment in marketing across outdoor, print and media. The initiatives have delivered increasing footfall in our stores and will be continued into 2024.

As a result of our 2022 transformation program SCALE the implementation of Central Ordering and Workforce Scheduling were completed during 2023. While Central Ordering has improved our ability to have the right products in the right places, reducing waste and limiting out of stock situations Workforce Scheduling has provided improved scheduling capabilities to support improved customer service while focusing at store labor control.

Overall results for the year did not meet the expectations and are considered unsatisfactory.

The Company revenue for the period 1 January – 31 December 2023 amounted to DKK 1,069 million (2022: DKK 1,012 million), while loss for the period amounted to DKK -137 million (2022: DKK -145 million). The balance sheet showed an equity of DKK 205 million on 31 December 2023 (2022: DKK 292 million). Gross profit for the period amounted to DKK 447 million (2022: DKK 409 million), and EBITDA for the period amounted to DKK -54 million (2022: DKK -69 million).

In December 2023, the credit facility was renewed by Lenders and extended until December 2025 while existing owners’ has subscribed to additional shares in the company for an amount of DKK 50 million. In addition to the cash contribution from the owners, the renewed credit facility with Lenders also allows for additional up to DKK 50 million draw under certain conditions.

Management is confident that the available liquidity combined with approved budgets, forecasts and business plans are sufficient for the company’s operation in 2024 and 2025.

Non-financial matters

Both in Denmark and internationally, there are consumer trends within food moving towards on-the-go solutions, which creates growth opportunities within food and coffee offerings. With the loyalty program and our App solution supporting easy use, in store, click and collect, or grab and go is a growth driver looking forward.

Financial risks

Due to its operations, investments and financing, the Company is exposed to changes in interest rates. The parent Company manages the Company’s financial risks and liquidity, including capital sourcing and investment of surplus liquidity, centrally. Under the Company’s financial policy, the risk profile is kept low to ensure that interest rate and credit risks arise only because of commercial circumstances, however the inflation and ultimately the general interest increase had a high negative impact in 2023.

Knowledge resources

For the continued growth of the Company, it is important to attract and retain highly skilled employees, including bakers, pastry chefs and store managers. To meet customers' needs and to ensure the best possible customer experience, focus is on high product quality and a high level of hospitality, which requires strong competencies of our employees, which are built up by ongoing training and education.

Financial risks and use of financial instruments

Due to its operations, investments and financing, the Company is exposed to changes in interest rates. The parent Company manages the Company’s financial risks and liquidity, including capital sourcing and investment of surplus liquidity, centrally. Under the Company’s financial policy, the risk profile is kept low to ensure that interest rate and credit risks arise only because of commercial circumstances.

Management's review

Impact on the external environment

Climate-related risks mainly raises from abrupt and unexpected shifts in input prices for energy and raw materials used in the company's production as well as weather related damages to the company property, plant, and equipment.

Management is continuously monitoring prices and production forecast for all major product categories used in production and actively seek to mitigate risk from price increases and out of stock situations by entering into hedge- and fixed price agreements with its suppliers. Property, plant and equipment is insured for climate related loss – incl. business interruption – by reputable insurance companies.

For further description, see below under 'Statutory CSR report'.

Statutory CSR report

The Company strives to act socially responsible in a market that changes every day and has defined several focus areas that are directly linked to operations.

Environment

As part of being socially responsible, the Company strives to limit the environmental impact of the operations.

An inherent part of operating a fresh food business is the risk of food waste. Reducing food waste is thus a continuous effort without also reducing customer experience. A part of the work is carried out in stores and productions where charity organisations supporting social responsibility can pick up excess products. Moreover, certain excess products are reused in production, e.g., for rye granola, rye bread chips or semi-finished products. Finally, some excess end of day products is reused for producing bioethanol and thus supporting both green energy as well as reusing product waste.

Continued efforts to optimize waste via assortment, digitalization and centralised order planning were initiated, still balancing the customer experience and product availability, the aim was to reduce overall waste in 2023 and end 2023 by 2%p. Despite significant efforts and general market fluctuations, we reduced the waste by 0.4%p and was unable to reach this target in 2023. Target for 2024 is to reduce by 1%p.

We have continued our partnership with Too Good To Go, offering expected end of day products at very low price. Target was to save 1 million of products in 2023 and further reduce overall food waste. Total saved products amounted to 1.4 million and thus reduced unnecessary waste significantly via this cooperation. Target for 2024 is to still exceed minimum 1 million saved products.

Social and employee conditions

The Company employs both skilled and unskilled employees with almost 2,500 employees in total. Many apprentices are trained and educated each year, and focus is on having a great base of skilled bakers and pastry chefs in our bakeries to uphold the craftsmanship and product quality of the trade.

Our employees are our greatest assets; there is a risk of employees not thriving therefore, we work to create a safe and healthy working environment with a high level of employee satisfaction. To ensure a sound and safe working environment, the Company conducts workplace assessments for all employees in accordance with legislation, at least every third year. The outcome of the workplace assessments results in specific action plans to solve issues, if any.

Throughout 2023, we have continued to monitor the well-being of our employees with eNPS as a main KPI. The eNPS is carried out on a quarterly basis and the measurement is to continuously have employees report on whether they would recommend working with us to friends and families. This is a clear message to whether we succeed in making our company the best place to work and track and report the development over time. The reporting and feedback are based on the numerical development and the comments attached for leaders to act on any development.

The Whistle-Blower (WB) policy and system supported by our Code of Conduct is an external WB platform supporting anonymous access, reporting to executive management, the Board and access to an external female representative. This is to secure that any critical matter is not restricted and reported in the best and most secure way for the employee or business partner.

Management's review

The Company has assessed that there is a risk of occupational injuries and stress in both stores and bakeries and we have continued workplace assessments and local initiatives to drive the identified improvement areas.

Our focus on improving the working environment has entailed that employee job satisfaction increased during 2023. The efforts will continue using quarterly eNPS scoring in 2024.

Anticorruption

The highest material risk was found to be employees within procurement and conclusion of contracts. As the Company has a zero-tolerance policy for corruption and bribery, and to minimize the risk thereof, the central management of procurement and conclusion of contracts has been a continued focus area and no violations of the Code of Conduct were detected in 2023.

The Company have asked all contracted suppliers to sign and commit to an updated Vendor Code of Conduct (the “VCOC”) which sets out the overall principles which Ole & Steen / Lagkagehuset requires Ole & Steen / Lagkagehuset employees, suppliers, and vendors (“business partners”) to operate, behave and live by. The Company will continue to ask current and new contracted suppliers to sign updated VCOC’s in 2024.

Corporate governance

The Board of Directors and the Executive Board of Lagkagehuset A/S continuously work to ensure that the Company's management structure and control systems are appropriate and work satisfactorily. Management regularly evaluates whether this is the case.
The framework for planning Management's duties is the Danish Companies Act, the Danish Financial Statements Act, the Company’s articles of association and ethical guidelines as well as good practice for entities within the same industry. Being owned by private equity funds, the Company complies with the Danish Venture and Private Equity Association’s (DVCA) guidelines on responsible ownership and corporate governance. Internal procedures have been drawn up to ensure active, effective, and profitable management of the Company.

Shareholders

On an ongoing basis, the Board of Directors reviews whether the Company’s capital structure serves the best interests of both the Company and its stakeholders. The overriding goal is to ensure a capital structure that supports long- term profitable growth.

The Board of Directors' duties

The Board of Directors of Lagkagehuset A/S oversees that the Executive Board pursues the objectives, strategies and business procedures adopted by the Board of Directors. The Board of Directors receives systematic updates from the Executive Board at meetings and through written and oral reports provided on a regular basis.

Remuneration for Management

To attract and retain managerial skills, the Executive Board and other executive officers are paid according to duties, value creation and terms in comparable entities. Their remuneration includes incentives to ensure consistency between the interests of Management and the owners, and the incentive schemes reflect both short-term and long-term goals.

Management and some of the members of the Board of Directors of Lagkagehuset A/S and few key employees participate in the parent company's investment incentive program. Treasury shares are sold and acquired as part of the incentive program.

In addition to the incentive program, certain key employees are offered performance-based bonus. Remuneration of the Executive Board and the Board of Directors is disclosed in a note to the financial statements.

Dividend policy

Dividend is distributed with due regard to the consolidation of equity required to ensure the Companys's continued expansion and existing agreements with sources of financing.

The Board of Directors proposes that no dividend is paid for the financial year 2023.

Management's review

Recommendations for active ownership and corporate governance for private equity funds

The Danish Venture and Private Equity Association (DVCA) has issued guidelines on responsible ownership and corporate governance for private equity funds and entities controlled by private equity funds.

These recommendations comprise guidelines on disclosures in the Management's review, including corporate governance, financial risks, employees, strategies, etc.

The guidelines have adopted a "comply or explain" approach to corporate governance that companies can follow by either complying with the recommendations or explaining why they have not complied. The Management of Lagkagehuset A/S, as described above, generally complies with the DVCA's recommendations.

Business model

The Company's operating business model is described as above in the first section of the management review.

Human rights

The Company has after a materiality assessment not identified material risk in negatively affecting human rights. Therefore, we have not enacted any policies hereof.

Report on the gender composition of Management

The Company's policy is to always recruit the best qualified person for a given job, and diversity is considered a strength. The Company is continuously working on harmonizing the gender composition including the gender composition of other management, the Board of Directors and senior managers in Lagkagehuset A/S.

By the end of 2023 the other management consisted of 157 members. There were no changes in the gender composition of other management in 2023. The underrepresented gender is 24%. The underrepresented gender is expected to be 40% by the end of 2026.

5 years overview

	2023
Supreme governing body	
Total number of members	4
Underrepresented gender in %	25
Target figure in %	50
Year in which the target figure is expected to be met	2026
Other levels of management	
Total number of members	157
Underrepresented gender in %	24
Target figure in %	40
Year in which the target figure is expected to be met	2026

Supreme governing body

Lagkagehuset has achieved an equal distribution in their board since the board consist of 1 out of 4 members/25 % of the underrepresented gender which is equal according to the Danish Business Authority. Thus, Lagkagehuset is not required to have a target figure and a year for when the target figure is expected to be met.

Other levels of management

At other management levels, the Group has more female than male managers and thus not an equal gender composition. Other management levels are considered with first layer of management directly referent to executive board whereas second level management is considered as any manager with leadership, from store/bakery/pastry managers. In connection with recruitment for senior positions, we are focused on seeing candidates of both genders, but qualifications will always be the decisive factor. The policy has been followed in 2023 for other management.

Management's review

Events after the balance sheet date

No events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.

Outlook

It is Management's expectation that 2024 will improve to 2023, through organic growth, cost optimization and continued development of new business areas. Management is expecting to increase sales min 5% through organic growth while EBITDA is expected to increase with DKK 40 million.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
3	Revenue	1,068,558	1,011,785
	Cost of sales	-305,211	-286,918
	Other operating income	5	0
4	Other external expenses	-315,990	-316,166
	Gross profit	447,362	408,701
5	Staff costs	-414,647	-411,274
6	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-74,466	-73,238
7	Other operating expenses	-87,173	-65,952
	Profit/loss before net financials	-128,924	-141,763
8	Financial income	53	1,005
9	Financial expenses	-13,434	-7,239
	Profit/loss before tax	-142,305	-147,997
10	Tax for the year	5,708	3,123
	Profit/loss for the year	-136,597	-144,874

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
12	Intangible assets		
	Completed development projects	43,594	41,463
	Acquired intangible assets	307	449
	Goodwill	22,352	29,085
		66,253	70,997
13	Property, plant and equipment		
	Plant and machinery	106,784	109,953
	Other fixtures and fittings, tools and equipment	20,655	26,652
	Leasehold improvements	130,610	151,060
	Property, plant and equipment in progress	646	552
		258,695	288,217
14	Investments		
	Other receivables	7,987	7,330
		7,987	7,330
	Total fixed assets	332,935	366,544
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	21,033	19,638
	Finished goods and goods for resale	1,371	1,303
		22,404	20,941
	Receivables		
	Trade receivables	6,649	6,692
	Receivables from group entities	3,233	0
	Income taxes receivable	5,708	3,123
	Other receivables	8,388	10,994
15	Prepayments	8,966	9,645
		32,944	30,454
	Cash	239,200	207,218
	Total non-fixed assets	294,548	258,613
	TOTAL ASSETS	627,483	625,157

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
16	Share capital	1,079	1,079
	Share premium account	0	0
	Reserve for development costs	34,001	32,340
	Retained earnings	169,847	258,105
	Total equity	204,927	291,524
	Provisions		
	Other provisions	13,756	13,756
19	Total provisions	13,756	13,756
	Liabilities other than provisions		
18	Non-current liabilities other than provisions		
	Other payables	51,877	55,260
		51,877	55,260
	Current liabilities other than provisions		
18	Current portion of long-term liabilities	2,959	5,024
	Trade payables	139,195	125,739
	Payables to group entities	140,876	64,902
	Other payables	65,879	60,085
20	Deferred income	8,014	8,867
		356,923	264,617
	Total liabilities other than provisions	408,800	319,877
	TOTAL EQUITY AND LIABILITIES	627,483	625,157

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Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2022	1,041	0	22,106	213,252	236,399
	Capital increase	38	199,967	0	0	200,005
11	Transfer, see "Appropriation of profit/loss"	0	0	10,234	-155,108	-144,874
	Transferred from share premium account	0	-199,967	0	199,961	-6
	Equity at 1 January 2023	1,079	0	32,340	258,105	291,524
11	Transfer, see "Appropriation of profit/loss"	0	0	1,661	-138,258	-136,597
	Contribution from group	0	0	0	50,000	50,000
	Equity at 31 December 2023	1,079	0	34,001	169,847	204,927

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Lagkagehuset A/S for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Danish Bake Holding ApS.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when a store sells the goods to the customer. Payment is usually due when the customer picks up the goods in the store.

For the customer loyalty program, a performance obligation is recognised at the date of recognition of the sale triggering the allocation of bonus points. The performance obligation is measured at the estimated fair value of the bonus points allocated. Revenue is recognised when the customer uses the bonus points.

Income from the rendering of services is recognised as revenue as the services are rendered.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income and expenses comprise items of a secondary nature relative to the Company's core activities, including governmental furlough schemes, group contribution and losses on the sale of non-current assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and other acquired intangible assets is amortised over the expected useful life.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business, profitability, market position, business segment and dependency on key employees.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5-7 years
Acquired intangible assets	5-10 years
Goodwill	10 years

The expected useful life of the Company's investments in software and completed development projects is 5-7 years, which is considered to be the expected use of the asset.

The Company's investments in other acquired intangible assets are considered to be of strategic importance to future operations. Taking into consideration the Company's plans to increase activities, the economic life has been assessed to be 10 years.

The residual value of all intangible assets is assessed to be DKK 0.

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The residual value of all items of property, plant and equipment is assessed to be 0 DKK.

The basis of depreciation is calculated taking into account the residual value of the asset and is reduced by any impairment.

The residual value is determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, dividends declared from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity and its Danish group entities are taxed on a joint basis. The Danish income tax charge is allocated between profit-making and loss-making Danish entities in proportion to their taxable income (full allocation method).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities areidentifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

The cost of a total asset is divided into separate components, which are depreciated separately if the useful life of the individual components is different.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Receivables

The Company has chosen IFRS 9 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

Write-downs on trade receivables are based on the simplified expected credit loss model. Credit loss allowances on individual receivables are provided for when objective indications of credit losses occur such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash at bank and petty cash.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Provisions

Provisions relate to refurbishment obligations relating to the Group's leased premises. The refurbishment obligation is calculated as the present value of the estimated net costs of refurbishment when leased premises are vacated. This will occur no earlier than at the end of the expected useful life.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

The Company has chosen IAS 39 as interpretation for liabilities.

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before net financials +/- Other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit/loss (EBIT) x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$

2 Events after the balance sheet date

No other events have occurred after the balance sheet date that may materially affect the assessment of the Company's financial position.

Financial statements 1 January - 31 December

Notes to the financial statements

3 Segment information

The Company only operates within one business segment, operation of bakeries, only in Denmark. Therefore, no separate segment information has been provided.

4 Fee to the auditors appointed in general meeting

With reference to section 96(3) of the Danish Financial Statements Act, audit fees are not disclosed. The fee is specified in the consolidated financial statements of Danish Bake Holding ApS.

	DKK'000	2023	2022
5	Staff costs		
	Wages/salaries	370,704	371,263
	Pensions	25,565	23,000
	Other social security costs	6,472	7,141
	Other staff costs	14,202	14,495
	Staff costs transferred to non-current assets	-2,296	-4,625
		414,647	411,274
	Average number of full-time employees	911	932

For 2023, remuneration to the Executive Board is not disclosed by reference to section 98b(3), (ii), of the Danish Financial Statements Act.

		2023	2022
6	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment		
	Amortisation of intangible assets	18,071	15,344
	Depreciation of property, plant and equipment	56,395	57,686
	Impairment of property, plant and equipment	0	208
		74,466	73,238

7 Other operating expenses

Other operating expenses include group contribution, totalling DKK 85,860 thousand (2022: DKK 63,274 thousand), and losses on rental contract when vacating and on the sale of property, plant and equipment, including other operating equipment, totalling DKK 1,313 thousand (2022: DKK 2,678 thousand).

		2023	2022
8	Financial income		
	Other financial income	53	1,005
		53	1,005
9	Financial expenses		
	Interest expenses, group entities	6,034	799
	Other financial expenses	7,400	6,440
		13,434	7,239
10	Tax for the year		
	Estimated tax charge for the year	-5,708	-3,123
		-5,708	-3,123

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
11 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Other statutory reserves	1,661	10,234
Retained earnings/accumulated loss	-138,258	-155,108
	-136,597	-144,874

12 Intangible assets

DKK'000	Completed development projects	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2023	86,426	7,221	75,222	168,869
Additions in the year	13,679	0	0	13,679
Cost at 31 December 2023	100,105	7,221	75,222	182,548
Impairment losses and amortisation at 1 January 2023	44,963	6,772	46,137	97,872
Amortisation/depreciation in the year	11,548	142	6,733	18,423
Impairment losses and amortisation at 31 December 2023	56,511	6,914	52,870	116,295
Carrying amount at 31 December 2023	43,594	307	22,352	66,253
Amortised over	5-7 years	5-10 years	10 years	

Completed development projects include the Company’s developed IT infrastructure mainly including ERP-system and related applications and costumer related app with a total carrying amount of DKK 34,399 thousand. Management has not identified any evidence of impairment relative to the carrying amount of completed development projects.

Financial statements 1 January - 31 December

Notes to the financial statements

13 Property, plant and equipment

DKK'000	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
Cost at 1 January 2023	228,789	125,906	389,886	552	745,133
Additions in the year	10,688	5,431	11,697	94	27,910
Disposals in the year	-184	-262	-3,360	0	-3,806
Cost at 31 December 2023	239,293	131,075	398,223	646	769,237
Impairment losses and depreciation at 1 January 2023	118,836	99,254	238,826	0	456,916
Amortisation/depreciation in the year	13,717	11,386	30,919	0	56,022
Reversal of amortisation/depreciation and impairment of disposals	-44	-220	-2,132	0	-2,396
Impairment losses and depreciation at 31 December 2023	132,509	110,420	267,613	0	510,542
Carrying amount at 31 December 2023	106,784	20,655	130,610	646	258,695
Property, plant and equipment include finance leases with a carrying amount totalling	486	0	0	0	486
Depreciated over	5-15 years	3-5 years	10 years		

14 Investments

DKK'000	Other receivables
Cost at 1 January 2023	7,330
Additions in the year	657
Cost at 31 December 2023	7,987
Carrying amount at 31 December 2023	7,987

Other receivables mainly consist of leasehold deposits.

15 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, DKK 8,966 thousand (2022: DKK 9,645 thousand).

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
16 Share capital		
Analysis of the share capital:		
1,078,203 shares of DKK 1.00 nominal value each	1,078	1,078
	1,078	1,078

Analysis of changes in the share capital over the past 5 years:

DKK'000	2023	2022	2021	2020	2019
Opening balance	1,079	1,041	1,041	1,000	1,000
Capital increase	0	38	0	41	0
	1,079	1,079	1,041	1,041	1,000

DKK'000	2023	2022
17 Deferred tax		
Deferred tax at 1 January	0	0
Deferred tax adjustment in the year	24,624	28,671
Adjustment for not recognised deferred tax assets	-24,624	-28,671
Deferred tax at 31 December	0	0

The total net unrecognised deferred tax asset amounts to DKK 123,909 thousand at 31 December 2023 (2022: DKK 98,204 thousand).

18 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2023	Short-term portion	Long-term portion	Outstanding debt after 5 years
Other payables	54,836	2,959	51,877	0
	54,836	2,959	51,877	0

Together with the group entities, Danish Bake A/S and Danish Bake Group ApS, the Company had credit facilities of DKK 550 million including an additional facility up to 50 million to draw under certain conditions as of 31 December 2023. Only Danish Bake A/S has debt to credit institutions in relation to this credit facility. The debt to the credit institutions totalled DKK 457 million, including bank guarantees at 31 December 2023. The agreement expires in December 2025. The agreement includes covenants.

19 Provisions

Other provisions comprise provisions for refurbishment obligations, totalling DKK 13,756 thousand.

In total DKK 13,756 thousand, whereof DKK 0 thousand is expected to fall due within one year.

Provision covering refurbishment obligations is viewed per individual lease contracts. Any estimates are based on quotes for the different types of leases or previous terminations, where applicable.

20 Deferred income

Deferred income, DKK 8,014 thousand (2022: DKK 8,867 thousand), consists of payments received from customers in giftgards and loyalty programs to be recognised as income in the subsequent financial years.

Financial statements 1 January - 31 December

Notes to the financial statements

21 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2023	2022
Other contingent liabilities	12,375	12,555
	12,375	12,555

Other contingent liabilities include bank guarantees in relation to leaseholds.

The Company has provided a guarantee of DKK 275 million to the credit institutions for the parent company Danish Bake A/S.

The Company is jointly taxed with its parent, Danish Bake Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2023	2022
Rent and lease liabilities	226,580	237,460

Rental and lease commitments are in all material respects rent commitments and reflect the rent during the non-cancellable period. DKK 69,994 thousand (2022: DKK 65,797 thousand) falls due within one year.

22 Contingent assets

The Company has deferred tax assests, which mainly consist of tax loss carry-forwards. The nominal value thereof totals DKK 123,909 thousand. DKK 0 thousand of the amount has been recognised in the balance sheet due to the uncertainty as to the utilisation of the tax losses.

23 Security and collateral

The Company has not provided any security or other collateral in assets at 31 December 2023.

Financial statements 1 January - 31 December

Notes to the financial statements

24 Related parties

Lagkagehuset A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Direct parent company Danish Bake A/S	Copenhagen, Denmark	Participating interest
Ultimate parent company Cidron Garonne Limited	Heller Jersey, Jersey	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Danish Bake Holding ApS	Copenhagen, Denmark	Requisitioning at the company's address

Related party transactions

Lagkagehuset A/S was engaged in the below related party transactions:

DKK'000	2023	2022
Sales	17,082	11
Financial expenses	0	-799
Management fee	-5,863	-7,062
Group contribution	-85,860	-62,239
Financial income	6,034	0
Capital increase	0	200,005
Capital contribution	50,000	0

Information on receivables from group entities and payables to group entities is disclosed in the balance sheet of the annual report.

Information on the remuneration to management

Information on the remuneration to Management appears from note 5, "Staff costs".