

Merrild Kaffe ApS

Erritsø Møllebanke 3, 7000 Fredericia

CVR no. 36 47 39 40

Annual report 2017

Approved at the Company's annual general meeting on 31 May 2018

Chairman:



Søren Svinding





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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 Merrild Kaffe ApS for the financial year 1 January - 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Fredericia, 31 May 2018
Executive Board:

Peter Henrik Falk
CEO

Søren Svinding
CFO

Board of Directors:

Mauro Mantovani
Chairman

Peter Henrik Falk

Søren Svinding

Independent auditor's report

To the shareholder of Merrild Kaffe ApS

Opinion

We have audited the financial statements of Merrild Kaffe ApS for the financial year 1 January - 31 December 2017, 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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.
- ▶ 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.

Independent auditor's report

- ▶ 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.

Odense, 31 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Søren Smedegaard Hvid
State Authorised Public Accountant
MNE no.: mne31450



Torben Ahle Pedersen
State Authorised Public Accountant
MNE no.: mne16611



Management's review

Company details

Name	Merrild Kaffe ApS
Address, Postal code, City	Erritsø Møllebanke 3, 7000 Fredericia
CVR no.	36 47 39 40
Established	22 December 2014
Registered office	Fredericia
Financial year	1 January - 31 December
Website	www.merrild.dk
Telephone	+45 63 10 31 03
Board of Directors	Mauro Mantovani, Chairman Peter Henrik Falk Søren Svinding
Executive Board	Peter Henrik Falk, CEO Søren Svinding, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Englandsgade 25, P.O. Box 200, 5100 Odense C, Denmark

Management's review

Financial highlights

DKK'000	2017	2016	2015
Key figures			
Revenue	366,007	338,677	149,081
Gross margin	48,562	48,207	10,545
Operating profit/loss	7,448	8,579	-2,433
Net financials	-282	-176	-482
Profit/loss for the year	5,596	6,333	-2,209
Fixed assets			
Fixed assets	78,424	81,924	81,042
Total assets	220,701	192,854	208,406
Equity	101,819	96,223	88,309
Financial ratios			
Current ratio	122.3%	116.0%	128.7%
Solvency ratio	46.1%	49.9%	42.4%
Return on equity	5.7%	6.9%	-2.5%
Average number of employees			
Average number of employees	54	48	38

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The main activity in the Parent Company, Merrild Kaffe ApS, is sale of coffee, coffee pads and instant coffee as well as coffee and machinery to the professional market. The Company's products are sold primarily in Denmark, the North Atlantic as well as in the Baltic countries.

Strategy

It is the Company's strategy to deliver quality products within the Company's business areas. It is the strategy on an ongoing basis to support the qualitative development of the total market and to gain market share at the same time as the earnings capacity is maintained.

Recognition and measurement uncertainties

The recognition and measurement of assets and liabilities in the financial statement of 2017 are not subject to any significant uncertainties.

Financial review

Development in the year

The income statement of the Company for 2017 shows a profit of DKK'000 5,596, and at 31 December 2017 the balance sheet of the Company shows equity of DKK'000 101,819. The management consider the result satisfying.

The company has in 2017 implemented a new ERP system, and the year has therefore been characterized with extra onetime cost regarding the integration.

Subsidiaries and associated companies

Merrild Kaffe ApS is 100% owner of the company Merrild Baltic SIA.

The income statement of Merrild Baltic SIA for 2017 shows a profit of DKK'000 1,335, and at 31. December 2017 the balance sheet of the Company shows equity of DKK'000 7,853.

Merrild Baltic SIA is working as Merrild Kaffe ApS's agent in the Baltics and assists the Merrild Kaffe ApS with sales to the Baltic countries.

Knowledge resources

Intellectual capital

Since the Company operates in a highly competitive market for all of its products, it is essential constantly to recruit and retain employees with a high level of expertise in sales and marketing. The company support through continuous education and training initiatives in order for the employees to maintain a high level of knowledge which is needed.

The Company's support functions must have the professional skills and demonstrate the stability that ensures retention of skills and the ability to act as a support function. This is ensured through the company's training and personnel policies as well as knowledge sharing internally and within the Group companies.

Management's review

Special risks

Operating risks

There seem to be no material operating risks. The Company purchases the main part of its products from group companies which ensures a stable supply

Market risks

The retail industry is characterized by few, but large, chains that represent a significant share of the Company's turnover. In the same way, the Company has a significant market share in competition with correspondingly larger providers of comparable products. In order to strengthen the Company's market position, significant marketing investments and further development of brands and business concepts have taken place.

Financial risks

The Management considers the Company's financial resources to be sufficient.

Currency risks

The Company has Domestic sales of goods as well as exports. These transactions are, however, as a general rule, affected either in USD or in EURO, why these currency risks is assessed to be limited. If deemed necessary, currency forward contracts for the hedging of future cash flows in foreign currencies are used.

Interest rate risks

The Company has only deposits with normal market interest conditions and thus has only minor risk related to interest rate level. The Company's shareholders have chosen not to enter into interest rate transactions to hedge interest rate risks, as in the case of a group internal balance.

Credit risks

The Company's policy for the assumption of credit risks implies that all major customers and other business partner's continuous credit is assessed. Mentioned policy minimizes/eliminates the risk.

Research and development activities

The Company holds no actual research expenses, but hold, along with affiliates, costs to product development, which are expensed on an ongoing basis.

Management's review

Statutory CSR report

Statutory statement on CSR in accordance with sec. 99 of the Danish Financial Statements Act

Since Merrild Kaffe ApS is a part of the Luigi Lavazza S.P.A., Merrild Kaffe ApS has not adopted an actual policy for corporate social responsibility, including climate, environment and human rights, as defined in the Danish Financial Statements Act. A CSR report for 2017 will be done on Group level. For more information about the group's work with sustainability, we refer to the current CSR report <http://www.lavazza.com/en/sustainability/values/sustainability-report/>.

Beside from following the guideline set out by Luigi Lavazza S.P.A., Merrild Kaffe ApS also have been donating coffee in 2017 to various organizations with individual purposes e.g. 350,000 cups of coffee to Kirkens Korshær.

Merrild Kaffe ApS has in 2017 expand the partnership with Grøn Koncert. Merrild Kaffe ApS participated at Grøn Koncert with a camp where the company was selling coffee. The profit of the sales during Grøn Koncert was transformed to a donation to Muscular Dystrophy (Muskelsvindsfonden).

Merrild Kaffe ApS donate furthermore DKK 1 each sold unit of Merrild Organic to Muscular Dystrophy (Muskelsvindsfonden). Merrild Kaffe ApS has designed a stick regarding this donation, which are placed in the front layout of the Merrild Organic bag.

Merrild Kaffe ApS has decided to boost its commitment towards sustainability and ecological responsibility and made an effort to promote the ecological and sustainable products in 2017.

Account of the gender composition of Management

99 b of the Danish Financial Statements Act

It is Merrild Kaffe ApS' policy to promote gender equality in all managerial levels. The company pursues to develop and ensure diversity. This objective is also valid for the managerial positions. In the recruitment process, HR has to ensure that candidates from the underrepresented gender are represented to the HR Manager, if possible. The professional qualifications and educational background is, however, essential in order to ensure that the right competences are in place.

In 2017, the Management Team of Merrild Kaffe ApS consists of 7 individuals of which 3 (43 %) are female managers and 4 (57 %) are male managers. The part of female managers are increased from 33 % in 2016.

Merrild Kaffe ApS' Board of Directors comprises of tree members, all are male members. There has been no election of boardmembers in 2017. It is Merrild Kaffe ApS's strategy to look for and hire females with the right qualifications to be a part of the Board of Directors so that the part of female Board of Directors will be 25-33 % in the nearest future and no later than end of 2019.

Events after the balance sheet date

No subsequent events have occurred that could materially affect the assessment of the company's financial position.

Outlook

The expected development

Despite the fact that the Filter coffee market is showing a decline in volume, Merrild Kaffe ApS expect an increase in its activity, as well as earnings, based on continued growth and further expansion in other categories.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2017	2016
2	Revenue	366,007	338,677
	Cost of sales	-253,725	-231,174
	Other external expenses	-63,720	-59,296
	Gross margin	48,562	48,207
3	Staff costs	-36,712	-35,286
4	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-4,346	-4,088
	Other operating expenses	-56	-254
	Profit before net financials	7,448	8,579
5	Financial income	18	0
6	Financial expenses	-300	-176
	Profit before tax	7,166	8,403
7	Tax for the year	-1,570	-2,070
	Profit for the year	5,596	6,333

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Fixed assets		
8	Intangible assets		
	Goodwill	55,620	58,753
		<u>55,620</u>	<u>58,753</u>
9	Property, plant and equipment		
	Plant and machinery	2,704	2,698
	Leasehold improvements	1,447	1,820
		<u>4,151</u>	<u>4,518</u>
10	Investments		
	Shares in subsidiaries	18,653	18,653
		<u>18,653</u>	<u>18,653</u>
	Total fixed assets	<u>78,424</u>	<u>81,924</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	25,328	25,352
		<u>25,328</u>	<u>25,352</u>
	Receivables		
	Trade receivables	21,021	30,574
	Receivables from group enterprises	3,336	0
	Corporation tax receivable	1,500	0
	Other receivables	427	167
	Prepayments	563	1,117
		<u>26,847</u>	<u>31,858</u>
	Cash	<u>90,102</u>	<u>53,720</u>
	Total non-fixed assets	<u>142,277</u>	<u>110,930</u>
	TOTAL ASSETS	<u>220,701</u>	<u>192,854</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
11	Share capital	50	50
	Retained earnings	101,769	96,173
	Total equity	101,819	96,223
	Provisions		
12	Deferred tax	2,546	976
	Total provisions	2,546	976
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	6,247	10,835
	Payables to group enterprises	92,095	60,019
	Other payables	17,994	24,801
		116,336	95,655
	Total liabilities other than provisions	116,336	95,655
	TOTAL EQUITY AND LIABILITIES	220,701	192,854

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Related parties
- 15 Fee to the auditors appointed by the Company in general meeting

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2016	50	88,260	88,310
Intercompany contribution	0	1,580	1,580
16 Transfer, see "Appropriation of profit"	0	6,333	6,333
Equity at 1 January 2017	50	96,173	96,223
16 Transfer, see "Appropriation of profit"	0	5,596	5,596
Equity at 31 December 2017	50	101,769	101,819

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Merrild Kaffe ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The annual report of Merrild Kaffe ApS and its subsidiary is included in the Consolidated Financial Statements of Luigi Lavazza S.p.A.

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

Changes in accounting estimates

Management has reassessed the accounting estimate regarding the expected useful lives of tangible assets, plant and machinery from 3-5 years to 4-8 years and leasehold improvements from 3 years to 5 years. The change has increased profit before tax by DKK 550 thousand and the profit for the year by DKK 430 thousand. Equity was adversely affected by DKK 430 thousand. In total, assets have increased by DKK 550 thousand.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement of Luigi Lavazza S.p.A.

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.

Non-current assets acquired in foreign currencies are measured at the exchange rate at the transactions date.

Leases

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)

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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 expenses

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

Cost of sales

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

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.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 20 years.

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

Goodwill	20 years
Plant and machinery	4-8 years
Leasehold improvements	5 years

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on payables and transactions denominated in foreign currencies and refunds under the on-account tax scheme, etc.

Dividend from investments in subsidiaries is recognised in the income statement in the financial year when the dividend is declared.

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.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill acquired is subsequently measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life estimated at 20 years, as goodwill is assessed to possess long-term market potential.

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.

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.

Investments

Investments in subsidiaries are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower.

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).

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

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

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other liabilities are measured at net realisable value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

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

Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

2 Segment information

Split of revenue in business activities (§96) is omitted with reference to section §11, pcs 2, since management believes that the information can cause significant damage, as the industry especially in the professional segment is characterized by few participants.

Revenue in Merrild Kaffe ApS relates to sales in primary Denmark, Baltic and the rest of northern Europa.

DKK'000	2017	2016
3 Staff costs		
Wages/salaries	33,623	32,584
Pensions	2,793	2,373
Other social security costs	296	329
	<u>36,712</u>	<u>35,286</u>
Average number of full-time employees	<u>54</u>	<u>48</u>

Total remuneration to Management: DKK 4,944 (2016: DKK 4,253)

4 Amortisation/depreciation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	3,133	3,133
Depreciation of property, plant and equipment	1,213	846
Impairment of property, plant and equipment	0	109
	<u>4,346</u>	<u>4,088</u>

5 Financial income

Other financial income	18	0
	<u>18</u>	<u>0</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016	
6 Financial expenses			
Interest expenses, group entities	0	56	
Exchange losses	0	41	
Other financial expenses	300	79	
	<u>300</u>	<u>176</u>	
7 Tax for the year			
Deferred tax adjustments in the year	1,622	1,929	
Tax adjustments, prior years	-52	141	
	<u>1,570</u>	<u>2,070</u>	
8 Intangible assets			
DKK'000		<u>Goodwill</u>	
Cost at 1 January 2017		62,670	
Cost at 31 December 2017		<u>62,670</u>	
Impairment losses and amortisation at 1 January 2017		3,917	
Amortisation for the year		<u>3,133</u>	
Impairment losses and amortisation at 31 December 2017		<u>7,050</u>	
Carrying amount at 31 December 2017		<u>55,620</u>	
9 Property, plant and equipment			
DKK'000	<u>Plant and machinery</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost at 1 January 2017	3,436	2,036	5,472
Additions	1,078	40	1,118
Disposals	-421	0	-421
Cost at 31 December 2017	<u>4,093</u>	<u>2,076</u>	<u>6,169</u>
Impairment losses and depreciation at 1 January 2017	738	216	954
Depreciation	800	413	1,213
Depreciation and impairment of disposals	-149	0	-149
Impairment losses and depreciation at 31 December 2017	<u>1,389</u>	<u>629</u>	<u>2,018</u>
Carrying amount at 31 December 2017	<u>2,704</u>	<u>1,447</u>	<u>4,151</u>
Depreciated over	4-8 years	5 years	

Financial statements 1 January - 31 December

Notes to the financial statements

10 Investments

Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
Merrild Baltic SIA	100.00%	7,860	1,334

DKK'000	2017	2016
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11 Share capital

Analysis of the share capital:

50,000 shares of DKK 1.00 nominal value each	50	50
	50	50

Analysis of changes in the share capital over the past 3 years:

DKK'000	2017	2016	2015
Opening balance	50	50	50
	50	50	50

DKK'000	2017	2016
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12 Deferred tax

Deferred tax at 1 January	976	1,108
Adjustment	-51	-2,061
Other deferred tax	1,621	1,929
Deferred tax at 31 December	2,546	976

Deferred tax relates to:

Intangible assets	2,881	1,604
Property, plant and equipment	213	179
Tax loss	-548	-807
	2,546	976

13 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	8,971	9,300
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The company has a rent obligation and has entered into operating leases on cars and IT equipment

Specified as:

Due within 1 year	3,969
Due after 1 year	5,002

Financial statements 1 January - 31 December

Notes to the financial statements

14 Related parties

Merrild Kaffe ApS' related parties comprise the following:

Significant influence

<u>Related party</u>	<u>Domicile</u>	<u>Basis for significant influence</u>
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Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Luigi Lavazza S.p.A.	Torino, Italy	at the Company's address or on the Company's website www.lavazza.com

Related party transactions

Related party transactions effected in 2017 were carried out on market terms, and therefore related party transactions are not disclosed in the financial statements in accordance with section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

Subsidiaries

Merrild Baltic SIA, Riga, Latvia

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Luigi Lavazza S.p.A.	Torino, Italy



Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2017	2016
15 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	150	150
Tax assistance	30	0
Other assistance	60	61
	<u>240</u>	<u>211</u>
16 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	<u>5,596</u>	<u>6,333</u>
	<u>5,596</u>	<u>6,333</u>