Lavazza Denmark ApS

Erritsø Møllebanke 3, 7000 Fredericia

CVR no. 36 47 39 40

Annual report 2023

Approved at the Company's annual general meeting on

Chairman:

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Søren Svinding

Contents

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lavazza Denmark ApS for the financial year 1 January – 31 December 2023.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of their operations and consolidated cash flows for the financial year 1 January – 31 December 2023.

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

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

Fredericia, 18 March 2024
Executive Board:

Tom Faurschou CEO	Søren Svinding CFO

Board of Directors:

Tom Faurschou Chairman	Massimo Pepe	Camilla Louise Bitsch

Independent auditor's report

To the shareholders of Lavazza Denmark ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Lavazza Denmark ApS 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, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows 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 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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 consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Odense, 18 March 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Smedegaard Hvid State Authorised Public Accountant mne31450	Torben Ahle Pedersen State Authorised Public Accountant mne16611

Management's review

Company details

Name	Lavazza Denmark 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	Tom Faurschou, Chairman Massimo Pepe Camilla Louise Bitsch
Executive Board	Tom Faurschou, CEO Søren Svinding, CFO
Auditors	EY Godkendt Revisionspartnerselskab Cortex Park Vest 3, 5230 Odense M, Denmark

Management's review

Financial highlights for the Group

DKK'000	2023	2022	2021	2020	2019
Key figures					
Revenue	937,206	822,422	638,122	539,071	400,511
Gross margin	117,778	105,040	92,226	82,038	61,096
Operating profit	42,343	36,506	26,886	22,414	11,844
Net financials	51	-1,180	-741	-957	-167
Profit for the year	34,865	29,178	21,423	17,569	9,304
Non-current assets	49,382	53,682	57,502	60,058	63,372
Current assets	234,534	162,131	127,550	119,205	96,618
Balance sheet total	283,916	215,813	185,052	179,263	159,990
Investments in property, plant and equipment	1,669	2,137	3,489	2,512	1,074
Equity	120,777	105,907	91,732	85,312	117,749
Cash flows from operating activities	-43,203	1,439	19,505	82,849	983
Cash flows from investing activities	-1,336	-1,926	-3,233	-2,098	-897
Cash flows from financing activities	-20,000	-15,000	-15,000	-51,217	1,217
Total cash flows	-64,540	-15,487	1,272	29,534	87,217
Financial ratios					
Gross margin	12,6%	12.5%	14.5%	15.2%	15.3%
Equity ratio	60,5%	49.1%	49.6%	47.6%	73.6%
Return on equity	30,8%	29.5%	24.2%	17.3%	8.2%
Average number of full-time employees	**84**	**81**	**76**	**70**	**67**

Gender distribution figures cf. 99b in The Danish Financial Statements act.

Top managerial position	2023	2022*	2021*	2020*	2019*
Total number of members	3				
Unrepresented gender in pct.	33%				
Target figure in pct.	33%				
Year of fulfilment of target figure.	2022				
Other managerial positions					
Total number of members	18				
Unrepresented gender in pct.	28%				
Target figure in pct.	40%				
Year of fulfilment of target figure.	2028				

*) Ratios for gender distribution is not included in the overview for the period 2019 - 2022, cf. §99b (7) in The Danish Financial Statements Act.

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

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

Gross margin $$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity ex. non-controlling interest at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit/loss for the year after tax ex. non-controlling interests x 100}}{\text{Average equity ex. non-controlling interests}}$$

Management's review

Main activity

The main activity in the Parent Company, Lavazza Denmark ApS, is sale of coffee, coffee pads and instant coffee to the retail consumer market 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.

Financial review

Development in the year

The income statement of the Company for 2023 shows a profit of DKK'000 30,218, and at 31 December 2023 the balance sheet of the Company shows equity of DKK'000 99,808. The management considers the result satisfying. EBIT for the year is 33,4 mio DKK which is slightly higher than projected last year (29-30 mio DKK), due to sales to a new export market.

Subsidiaries and associated companies

Lavazza Denmark ApS is 100%owner of the company Lavazza Baltics SIA.

The income statement of Lavazza Baltics SIA for 2023 shows a profit of €'000 1,436 equals DKK'000 10,675 and at 31 December 2023 the balance sheet of the Company shows equity of €'000 4,435 equals DKK'000 32,983.

In 2023, various categories and services across markets continued to be affected by inflation. In response, Lavazza Denmark implemented price increases to partially mitigate the impact of rising green coffee prices and auxiliary costs.

In the domestic Danish coffee market, the filter category still shows a negative trend, which is not entirely offset by the positive growth in whole beans and single-serve categories. However, out-of-home consumption is experiencing positive development after several years of challenges posed by Covid-19.

Organic growth and price adjustments in export markets contribute significantly to the overall net revenue. Additionally, Lavazza expanded its export market to include Finland in 2023. The export share increased to 51%in 2023 (from 48%in 2022), while the domestic share decreased to 49%in 2023 (from 52%in 2022). As a result, the performance in 2023 surpassed our initial expectations.

Lavazza Baltics SIA acts as the agent for Lavazza Denmark ApS in the Baltic region, facilitating sales to Baltic countries as well as Finland.

Outlook

The expected development

Lavazza Denmark expects revenue for 2024 to be approx. 970 Mio DKK, with slightly increased share of Export sales and an EBIT around 35 Mio DKK, which is deemed satisfactory.

Special risks

Operation risks

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

Management's review

Market risks

The retail sector is defined by a limited number of sizable chains that account for a substantial portion of the Company's revenue. Similarly, the Company holds a significant market share, competing with significantly larger entities offering similar products. To fortify the Company's market standing, substantial investments in marketing and the continual refinement of brands and business strategies have been undertaken.

The global coffee market is characterized by a stable increase in demand with an average consumption growth rate of 2%(icocoffee.org, ED&Fman), coupled with supply challenges stemming among others from adverse weather conditions and climate effects. These concerns are gaining traction within the coffee market as rising temperatures and shifting weather patterns adversely impact the health of coffee trees and crop yields. Notably, the European Union (EU) stands as the primary consuming region, representing approximately 25%of global coffee consumption (ED&Fman).

New legislation confronts the coffee market including new EU legislation aimed at minimizing the region's contribution to worldwide deforestation and forest degradation by regulating the import and export of seven commodities, including coffee, within the EU market. This legislation was formally ratified and became effective in June 2023, with due diligence requirements set to apply from the end of 2024. While the European Coffee Federation acknowledges the EU's efforts to combat deforestation, the implementation timeline poses challenges to the coffee industry in the EU and its stakeholders. The legislation introduces a significant compliance burden on companies and farmers, raising concerns about coffee sourcing for this specific region compared to other coffee-consuming regions worldwide. Considering that the coffee supply chain ranks among one of the most fragmented sectors in agriculture, with three-quarters of global production attributed to 25 million small-scale growers, operating approximately 12.5 million family-run farms across more than 40 primary coffee-growing countries.

Financial risks

The Management affirms the adequacy of the Company's financial resources. Furthermore, the company has established a cash pool agreement with Luigi Lavazza SpA, enhancing and fortifying our cash position.

Currency risks

The Company has Domestic sales of goods as well as exports. These transactions are, however, as a rule, effectuated primarily in DKK or EUR, why the currency risk 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 interest rate transactions to hedge interest rate risks, as in the case of a group internal balance.

Management's review

Credit risks
The Company's policy for the assumption of credit risks implies that all major customers and other business partners' continuous credit is assessed. The mentioned policy minimizes the risk.

Knowledge resources

Intellectual capital

Since the Company operates in a highly competitive market for all its products, it is essential constantly to recruit and retain employees with a high level of expertise in sales and marketing.

The company, through continuous education and training initiatives, ensures that the needed high knowledge level is maintained.

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

Research and development activities

R&D activities primarily are managed by central group functions in the parent company, but the company also holds costs for local market tracking, ad-hoc research, and product development.

Management's review

Account of the Statutory reporting on Social Responsibility, cf. section 99a in the Danish Financial Statements Act

The main activities of Lavazza Denmark consist of purchasing and selling coffee and tea to retail stores, professionals and e-commerce under the Lavazza and Merrild brands. Additionally, the company also sells coffee machinery to the professional market and through its own e-commerce platform (shop.lavazza.dk). Lavazza Denmark's main geographic markets are Denmark, the North Atlantic and the Baltic countries.

Lavazza Denmark values ethical behavior and cooperates with suppliers, entrepreneurs, partners and distributors to ensure responsible business practices throughout the value chain. Lavazza Denmark's approach is defined by the Lavazza Group's approach to sustainability: Blend for Better.

Blend for Better embraces the responsibility assumed by the Company, its brands and employees towards sustainability and is reflected in the commitment made to the Sustainable Development Goals (SDGs) of the UN 2030 Agenda and in a program of activities, organized into four defined areas, related to the Company's four prioritized SDG goals acting as the framework for the Lavazza Groups sustainability strategy:

- ***Goal 13 Climate Action:*** The Lavazza Group is dedicated to minimizing the environmental footprint of its operations. The "Roadmap to Zero" embodies the Lavazza Group's strategic approach, prioritizing the gradual reduction of emissions and the subsequent offsetting of residuals. The overarching objective is to neutralize the Lavazza Group's carbon footprint by the end of 2030. This endeavour involves:

  1) Monitoring and measuring emissions rigorously,
  2) Continuously enhancing efficiency and reducing impacts, and
  3) Offsetting residual and unavoidable emissions by financing projects capable of absorbing or avoiding emissions through the acquisition of carbon credits.

In collaboration with global organizations and NGOs, the company are also actively promoting and supporting projects aimed at raising awareness of environmental issues within the coffee industry and safeguarding the natural ecosystems.

- ***Goal 12 Responsible Production and consumption:*** The Lavazza Group adopts a sustainable-by-design approach, adjusted to each phase of the product's life cycle in line with the principles of the circular economy, from adopting sustainable agricultural practices to reducing the product's environmental impact up to its end of life. The company launched in 2020 the Sustainable Packaging Roadmap aimed at making the packaging of the Group's entire product portfolio compostable, recyclable, or reusable by 2025.

  In 2023 Lavazza founded together global partners as the International Coffee Organization and and UN The Center for Circular Economy in Coffee as a global precompetitive platform for enhancing and nurturing the Circular Economy principles and practices within the coffee sector. Both Lavazza and Merrild are a member of this organization.

- ***Goal 8 Decent Work and Economic Growth: Educate for change if people are better, they also make the world better***: Inspired by this motto, the Lavazza Group continues to invest in human capital through culture-sharing, training and providing the right tools to develop skills and generate opportunities. All employees are trained in Lavazza Group's Code of Ethics and Code of Conduct - and accreditation of new suppliers also requires acceptance of these standards as well as, starting from 2018, completion of a questionnaire dedicated to sustainability. Lavazza Denmark as a part of Lavazza Group has since 2020 adopted the accredited external system EcoVadis to monitor the ESG performance of its suppliers and propose improvement plans for the environment, human rights, ethics and sustainable supply – and per 2022, the Group received the Gold Medal for the first time, ranking in the top 5%of companies assessed by the EcoVadis team of international experts.

Management's review

► ***Goal 5 Gender Equality***: Lavazza Group promote focus on social issues, through a diverse array of initiatives involving employees, communities, and suppliers, as our goal is to cultivate a prosperous and sustainable future for all stakeholders. The company has articulated its commitment to fostering an environment free of inequalities, barriers, or disparities through its Diversity & Inclusion Manifesto.

This manifesto emphasizes:

- Inclusion not acceptance: Everyone should feel unique and part of blend we form together,
- Free and Safe: We treasure uniqueness and openness is our endeavour.
- Equity is more than Equality: Each person should have the resources and opportunities they need to fulfil their purpose.
- Skills are values: Everybody should be granted access to opportunities to grow, based exclusively on skills and capabilities.

Environment and Climate

Policy

Lavazza Group's environmental sustainability strategy is based on four, integrated key concepts:

1) Climate Protection, as described above The Group aims to contribute to the fight against climate change, reducing the environmental impact generated along its entire value chain via the Company's Roadmap to Zero, a constantly updated strategy that prioritises a progressive reduction of emissions and subsequent.

2) Responsible use of resources the main guidelines underlying the Group's environmental strategy concerns the responsible use of resources, from their production to their consumption. The entire Group has therefore adopted protocols aimed at achieving maximum energy efficiency and sustainable water and waste, e.g. 98%of coffee is produced by use of renewable electricity sources and 97%of the vegetable waste from the Italian productions are turned into fertiliser.

3) Sustainable by design, The Roadmap to Zero includes the Sustainable Packaging Roadmap (as described above). This plan applies the main precepts of the circular economy, whose principles also extend to coffee machines and production models, with an approach that promotes sustainability by design to avoid waste, make the use of resources more efficient, enhance product end of life and reduce the environmental impact of production processes as a whole.

4) Environmental sustainability at the source, the non-profit organization, Lavazza Foundation, has been instrumental in enriching the Group's environmental strategy since 2004. Through sustainable development projects, it supports coffee growers in adopting agricultural techniques to address climate change effects and promotes conservation practices for high nature value areas. The growth facilitated by the Foundation's projects has enabled several farming cooperatives to become suppliers to the Lavazza Group. Additionally, in recent years, the Foundation has collaborated with non-governmental organizations and international institutions to enhance reforestation efforts and combat deforestation.

Management's review

Since 2001, the Lavazza Group has actively engaged with International Coffee Partners (ICP), a consortium of eight European coffee companies dedicated to sustainability projects in coffee-producing regions. The organization's mission is to initiate, develop, and oversee projects that promote agricultural best practices among small coffee growers, empowering them to enhance their working and living conditions. Additionally, as a founding member, the Lavazza Group participates in the Coffee & Climate initiative, which focuses on studying climate change's impacts on coffee and equipping small growers with the necessary technical resources to effectively address this challenge. We anticipate continuing our efforts in these fields in the future.

Risks, actions and results

Coffee, as the land it grows on, faces threats from the ongoing climate changes. The current instability in climate poses a serious risk to the crops, yields and supply of quality coffee. Without decisive action to address this phenomenon, millions of hectares of coffee-growing land could disappear within a few decades, jeopardizing the livelihoods of millions of coffee growers. Global projections show that the area suitable to grow coffee could be reduced by more than 50-70%in 2050 due to climate change (Climate Institute). With this Lavazza Denmark's access to the high-quality coffee essential for our products may be compromised. Unsustainable farming practices, including excessive pesticide use and deforestation, further exacerbate this risk.

To mitigate this risk, Lavazza Denmark works with several projects through the parent company Luigi Lavazza S.p.A. and the Lavazza Foundation, where more than 180.000 coffee producers have benefitted from Lavazza Foundation activity, through 33 projects in 20 countries (https://fondazionelavazza.com/).

The Foundation caters to the needs of coffee producers, improving the yield and quality of their products by providing training and resources that encourage the development of entrepreneurial skills. The main tools used to achieve these goals are:

- The spread of good agricultural practices that foster coffee quality and respect for the environment, support reforestation, and spread farming techniques that enable growers to respond effectively to the effects of climate change.
- To support coffee growers in building and managing their own organizations, like associations, cooperatives and companies.

In addition, the Lavazza Foundation’s projects also aim to:

- promote gender equality within families and communities;
- help young people realize their full potential through training programs that motivate them not to abandon coffee-growing lands and to become coffee entrepreneurs instead;
- promote the diversification of products in order to reduce risks and facilitate greater food production;
- support reforestation;
- spread farming techniques that enable growers to respond effectively to the effects of climate change;
- introduce technologies to support traditional coffee-growing techniques.

Management's review

Lavazza Group seeks to minimize the lifecycle impact of the final products and increase customer transparency. The approach is based on a scientific approach and the action programs are structured according to a three-step model:

1) Measurement, the Groups measures and monitors annually the environmental impacts generated on its production process by the energy resources required (fuels, electricity, natural gas) and the materials introduced and produced (waste, scrap, water, packaging materials), LCA (Life Cycle Assessment) from raw materials to packaging, production, transportation, distribution, use and discharge are carried out and reporting of results in accordance with GHG protocol and KPIs.

2) Reduction; Based on the results of the measurement and ongoing monitoring of the environmental impact, the Group outlines its reduction strategy through the definition of 5 improvement plans dedicated to green coffee, coffee machines, production, packaging and logistics.

3) Compensation of the residual equivalent CO2 emissions that cannot be reduced; the Group's environmental sustainability strategy provides for the Company's commitment not to be limited to those matters under its direct control, but to also be focused on reducing environmental impacts not directly generated by its business activities (e.g. green coffee). This entails offsetting residual and unavoidable emissions, through the financing of projects capable of absorbing or avoiding. Each credit obtained attests to the actual reduction, or removal, of one ton of CO2 emitted into the atmosphere to compensate for emissions that cannot be reduced, balancing those generated and their absorption. Credits and projects are verified by international standards VCS, CCB and CDM.

Results: Today, 100%of the electricity powering the 7 main plants out of the total 9 plants in Italy, France, the United Kingdom and Canada is obtained from renewable sources. This system allows to produce 98%of the coffee of the whole Group including the coffee for Lavazza Denmark. Moreover, the circular economy principles applied further abate emissions enabled 66%of the packaging of the Group’s entire product portfolio recyclable. More than 89%of all waste is recovered and reused – and specifically 97%of the vegetable waste from the Italian coffee production are turned into fertilizer. Overall, the emissions per ton of processed coffee have decreased by 16%compared to the previous year. Lavazza Denmark is actively transitioning all company cars to environmentally friendly electric vehicles, while also providing energy charging stations for all employees to use. We are next to this, purchasing renewable energy for the office premises in Frederica.

Labor conditions

Policy

Lavazza Denmark is committed to fostering a positive and healthy work environment where all employees are treated equally, feel a strong sense of belonging, and where they thrive and can unleash their full potential.

Risks, actions and results

Lavazza Denmark has a sales office in Denmark, and the most prominent risk for Lavazza Denmark related to labor conditions is that of not having a healthy physical and mental work environment – and not being able to attract the essential and competent employees needed for its operation.

To address this, Lavazza Denmark conducts an annual employee satisfaction survey, Great Place To Work, with the 2023 results indicating a highly satisfactory of 97%on the question ”Taking everything into account I would say that it is a great place to work”.

Moreover, Lavazza Denmark has adopted Lavazza's Employee Code of Conduct to provide guidance and support for all employees, outlining ethical rules and standards of conduct.

Management's review

Additionally, two new initiatives have been launched to emphasize equality and flexibility:

1) Firstly, the maternity scheme for all family types has been updated. In alignment with the new maternity law of 2022, Lavazza Denmark ensures complete parity between men and women, granting equal access to leave regardless of family type. Furthermore, the company maintains full pension contributions beyond the 24-week salary entitlement period, ensuring equal access to pension savings for all employees.

2) Secondly, the framework for senior employees (+60 years) has been improved through the implementation of a system known as 90-90-100 or 80-80-100. This system allows employees to reduce their working hours to 80%or 90%of full-time, with a corresponding reduction in salary, while retaining pension contributions based on their original salary. This provides flexibility in balancing work-life commitments without compromising pension savings. Upon retirement, employees are often hired as hourly workers, ensuring continued engagement with the company and providing flexible resources for projects, holiday coverage, and meetings. Approximately 75% of retired employees continue their association with the company as hourly workers.

Additionally, approximately 5%of employees are engaged in flexible jobs, allowing the company to fill important roles that may not require full-time positions. This arrangement benefits both the company, which can recruit employees based on specific hours needed, and the employees, who can contribute their skills and resources. Lavazza Denmark intends to continue its efforts in these areas in the future, emphasizing the importance of maintaining a supportive, flexible and inclusive work environment.

Human rights

Policy

Lavazza Denmark is committed to making a positive impact on the local communities where coffee is grown and for the farmers supplying our coffee. We uphold internationally recognized human rights standards and do not tolerate any violations thereof.

We seek to collaborate exclusively with suppliers who share our dedication to respecting human rights, maintaining the highest health and safety standards, and minimizing environmental impact.

Our commitment to these principles guides our actions, and we intend to sustain our efforts in this area in the future.

Risks, actions and results

The most significant risk associated with human rights concerns the supply chain, particularly the working conditions in coffee plantations. Therefore, it is primarily through our procurement of coffee beans that Lavazza Denmark has the greatest impact on human rights.

Procurement activities are overseen by the parent company, Luigi Lavazza SpA. The mutual commitments and responsibilities between Lavazza and suppliers are communicated through the Suppliers Code of Conduct, which was last updated in 2017. The SCC is aligned with internationally recognized standards, such as the ten principles of the UN Global Compact, the Universal Declaration of Human Rights, the International Labor Standards of the ILO, and the Children's Rights and Business Principles developed by Save the Children, UNICEF, and the UN Global Compact.

In accordance with Lavazza Group's standard, accreditation of new suppliers requires acceptance of the Code of Ethics and Suppliers Code of Conduct. In 2023, all new direct suppliers were informed of and asked to sign the Standards and act in accordance with these stipulations – and we have no knowledge of any incidents of human rights abuses within our value chain.

Management's review

Anti-corruption

Policy

Lavazza Denmark firmly rejects corruption and bribery in any form and prohibits its employees from accepting gifts or entertainment that could potentially influence their business decisions.

We remain committed to upholding these principles in our operations and anticipate continuing our efforts in this regard in the future.

Risks, actions and results

To mitigate the significant risks associated with anti-corruption, particularly regarding the potential influence of gifts and entertainment on purchasing decisions, Lavazza Group developed The Anticorruption Policy in 2023.

This policy serves as a comprehensive framework, reinforcing the guidelines outlined in the Code of Ethics and summarizing the principles guiding Lavazza's efforts to combat both active and passive corruption. Lavazza Denmark ensures that its employees understand and apply the Anticorruption Policy through mandatory compliance training.

Also, top management must show strong commitment to promoting a corporate culture that rejects all forms of corruption and to disseminating the principles outlined in the Policy and overseeing their implementation. There were no reported violations of this policy in 2023.

Donations

In addition to its sustainability initiatives aimed at benefiting coffee farmers, Lavazza Denmark annually donates coffee to various local organizations in Denmark. In 2023, the company made fiscal Christmas donations to both Mødrehjælpen and Red Cross Asylum centers. Alongside the fiscal donation, Lavazza Denmark provided 120,000 cups of coffee to Mødrehjælpen, along with 100 Christmas presents and organized a "summer trip" to Legoland for 50 participants. Throughout the year, ad hoc coffee donations were made to organizations dedicated to reducing food waste and supporting vulnerable groups in Danish society, such as Kirkens Korshærs homeless shelters and community centers.

Lavazza Denmark also supported the Team Rynkeby Ringe Charity event with a fiscal donation and is a major partner of Muskelsvindfonden (The Muscular Dystrophy Foundation), sponsoring national events like Grøn Koncert and Cirkus Summarum. The proceeds from coffee sales at these events are fully allocated to the foundation. Moreover, Lavazza Denmark is actively engaged with Dansk Naturfredningsforening (Danish Society for Nature Conservation), contributing to their national trash collection initiative with a fiscal donation, providing 90,000 cups of coffee to volunteers, and presenting the "Merrild Green Project" fiscal award to the best "green" school project.

Additionally, Lavazza Denmark actively participates in local trash collection efforts, dedicating approximately 200 working hours to collecting trash within the community.

Management's review

Donations

Account of Data Ethics, cf. section 99d in the Danish Financial Statements Act

Policy

Lavazza Denmark is committed to promoting gender equality across all managerial levels, including the board of directors. While professional qualifications and educational backgrounds continue to guide hiring decisions, the company actively seeks to cultivate diversity through various initiatives. HR tries to ensure that at least one underrepresented gender candidate is included in the recruitment process when possible.

In 2023, Lavazza Denmark's top management, being the board of Lavazza Denmark, is comprised 66% men and 33%women.

To further increase gender diversity, the board composition of the company has been revised from three men to two men and one woman as of January 1, 2023.

In terms of reaching the target figure for the gender composition in the top management, Lavazza Denmark has reached the target figures.

Other managerial positions consist of two management levels.

First level is determined by headcounts with responsibilities for employee development, reporting directly to top management.

Second level is determined by headcounts with responsibilities for employee development, reporting directly to the first level of management.

In 2023, these positions at Lavazza Denmark consisted of 28%women and 72%men.

Regarding the attainment of the targeted gender composition within Other Managerial Positions, Lavazza Denmark has yet to meet our established objective. However, our ongoing commitment remains steadfast in ensuring that a proportion of candidates for managerial roles represent underrepresented genders. It is our expectation to achieve a minimum representation of 40%by the year 2028.

As part of the Lavazza Group, Lavazza Denmark has introduced the "GAP FREE project," aimed at promoting an inclusive culture based on equal opportunities and enhancing diversity. The project aims to foster responsible growth within the Group to generate a positive social impact. GAP FREE is a structured, medium-to-long-term program designed to eliminate barriers and create an inclusive working environment where everyone can express their authenticity, aligning with one of the Group's core values. This initiative commenced at Lavazza Denmark in November 2023 with a mandatory GAP FREE Workshop Day, where all employees participated in training sessions to raise awareness and promote inclusive behaviour regarding diversity and inclusion. In the 2023 “Great Place to Work” survey, Lavazza Denmark achieved a 97%score in equality, signifying a perception of a workplace environment with minimal barriers.

Management's review

Data ethics policy definition

The Group Data Protection function is responsible for ensuring compliance with Regulation (EU) No. 2016/679, commonly known as the General Data Protection Regulation (GDPR), regarding privacy. To fulfill this obligation, the company has appointed a Group Data Protection Officer (DPO) who oversees the assessment of business processes to ensure compliance with GDPR requirements. The DPO is also responsible for establishing guidelines on data protection obligations and serving as a point of contact between data subjects and the relevant supervisory authority. In carrying out oversight activities, the Group DPO collaborates with the local Lavazza Denmark DPO.

The data ethics policy should be a complement and a broader foundation than the regulatory framework that applies to the work on data in the GDPR context. The data ethics policy also includes implementing IT systems, new technologies, and ethical evaluation. Lavazza Denmark ApS processes data about our employees, customers, consumers, and other business partners. Data is always provided through a contractual relationship, explicit consent, or legal interest in processing this data. It is important for us to always state clearly what we use the data for and that under no circumstances is it used for purposes other than the information provided if the data is collected based on consent or a contract.

The data ethics policy must ensure that there is an ongoing focus on areas where there may be a debate on the processing of data in relation to fundamental values and ethics.

Use of data

Lavazza Denmark's data ethics policy is based on the information Lavazza Denmark ApS stores and processes. The policy applies to customer data, employee data and data about business partners, suppliers, and distributors.

Principles of data ethics policy

Data ethics has a basic premise that all data must be processed in a responsible manner. It is important that all stakeholders have confidence in our data management and that the data ethics mindset is incorporated at all levels of the organization working with data.

We, the Organization, will ensure that the risk of unintended consequences is minimized, for example, by publishing, misuse or tampering with appropriate safeguards. We only initiate cooperation with third parties, who we trust and handle the personal data that the data processor makes an initial assessment of the supplier before a data processing agreement is drawn up.

Transparency

In relation to employee data, all processes are described, and we work with need-to-know access. We only use data for the purpose for which it was obtained. Employees, consumers, customers, or other stakeholders may at any time request information, update, or deletion of the data we process if we do not have a factual purpose for the storage of data. In addition, integrity, security, and decency in all relations are keywords for Lavazza Denmark ApS. Lavazza Denmark ApS does not sell or disclose information unless we are obliged to do so.

Deleting data

Lavazza Denmark ApS continuously works to delete personal data and other data that is no longer relevant. We always comply with our group guidelines in relation to personal data including anonymization and deletion of data.

Management's review

Equality and justice

We don't want to use data in a way that can create unintended patterns or other biases. Methods that involve the risk of bias or discrimination will not be used. If new technological solutions are developed, the focus will be on the inclusion of different professional backgrounds, competences, and insights to ensure that attention is paid to whether the results may discriminate against specific groupings such as gender, age, ethnicity, or the like.

Professional integrity

All companies' employees receive training in GDPR and good data behavior in relation to storage, processing, and deletion. This is both e-learning and part of the onboarding conducted by HR and the IT department. The e-learning ends with a test that is mandatory for all employees.

We encourage an open dialogue about the risks of data management and that all employees take a stand if data processes and/or systems conflict with the employee's professional knowledge. If new technological solutions are put into operation, an assessment of the value, disadvantages or risks to all stakeholder parties is made.

Ethically correct handling of data and personal data is a common concern for everyone in Lavazza Denmark ApS. We do what we say, we keep what we promise, and we are always transparent and orderly in our work and the way we do business. To maintain trust, it is important that all employees are aware that they have a responsibility for proper and safe use when handling data. We are very concerned that all our employees behave properly – that is, ethically correctly, and our employees are all subject to a privacy policy as part of their employment contract.

Uncertainty relating to recognition and measurement

The recognition and measurement of assets and liabilities in the financial statement of 2023 are not subject to any significant uncertainties.

Subsequent events

We have changed our company name from Merrild Kaffe ApS to Lavazza Denmark ApS as per February 27, 2024. This is a decision we have taken as the new name reflects the development our organization has gone through in terms of sales results and identity since Lavazza bought Merrild Kaffe in 2015.

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Income statement

		Group		Parent	
Note	DKK'000	2023	2022	2023	2022
	Revenue	937,206	822,422	914,752	803,056
	Cost of sales	-699,224	-598,718	-719,698	-615,758
	Other operating income	511	114	164	114
4	Other external expenses	-120,716	-118,778	-106,976	-106,839
	Gross margin	117,778	105,040	88,282	80,573
5	Staff costs	-69,566	-62,775	-49,804	-47,065
	Amortisation/depreciation of the intangible assets and property, plant and equipment	-5,772	-5,693	-4,884	-4,849
	Other operating expenses	-96	-66	-94	-62
	Profit before net financials	42,343	36,506	33,460	28,597
6	Financial income	1,048	57	5,159	57
7	Financial expenses	-991	-1,237	-991	-1,237
	Profit before tax	42,400	35,326	37,628	27,417
8	Tax for the year	-7,535	-6,148	-7,410	-6,060
	Profit for the year	34,865	29,178	30,218	21,357

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

		Group		Parent	
Note	DKK'000	2023	2022	2023	2022
	ASSETS				
	Non-current assets				
	Intangible assets				
9	Goodwill	36,819	39,952	36,819	39,952
9	Goodwill re. subsidiaries	7,886	8,558	0	0
		44,705	48,510	36,819	39,952
10	**Property, plant and equipment**				
	Plant and machinery	4,072	4,449	3,789	4,051
	Leasehold improvements	605	722	62	79
		4,677	5,172	3,851	4,130
	Other non-current assets				
11	Equity investments in subsidiaries	0	0	18,653	18,653
		0	0	18,653	18,653
	Total non-current assets	49,382	53,682	59,323	62,735
	Current assets				
	Inventories				
	Finished goods and goods for resale	43,296	57,620	44,541	57,620
		43,296	57,620	44,541	57,620
	Receivables				
	Trade receivables	6,051	32,364	6,051	32,364
12	Receivables from group enterprises	96,753	3,173	71,700	5,507
	Other receivables	3,755	4,024	1,170	1,608
	Prepayments	521	411	277	297
		107.080	39,972	79,198	39,776
	Cash	0	64,539	0	42,923
	Total current assets	150,376	162,131	122,494	140,319
	TOTAL ASSETS	199,758	215,813	181,817	203,054

Consolidated financial statements and parent company financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	Group 2023	Group 2022	Parent 2023	Parent 2022
	EQUITY AND LIABILITIES				
	Equity				
13	Share capital	50	50	50	50
	Retained earnings	85,725	85,857	64,757	69,540
	Proposed dividend	35,000	20,000	35,000	20,000
	Total equity	120,775	105,907	99,808	89,590
	Provision				
14	Deferred tax	8,453	9,340	8,453	9,340
	Total provisions	8,453	9,340	8,453	9,340
	Short-term liabilities				
	Trade payables	29,597	35,012	29,608	34,812
	Payables to group enterprises	12,307	42,736	19,205	48,440
	Corporation tax	2,516	895	2,251	949
	Other payables	24,739	21,379	22,369	19,379
	Deferred income	1,372	544	1,367	544
	Total short-term liabilities	70,525	100,567	74,800	104,124
	Total liabilities	70,525	100,567	74,800	104,124
	TOTAL EQUITY AND LIABILITIES	199,758	215,813	181,817	203,054

1 Accounting policies
2 Segment information
3 Events after the balance sheet date
15 Contractual obligations and contingencies, etc.
16 Related parties

Consolidated financial statements and parent company financial statements 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Group Share capital	 Retained earnings	 Proposed dividend	 Total
	Equity at 1 January 2022	50	76,682	15,000	91,732
	Transferred; see distribution of profit/loss	0	9,178	20,000	29,178
	Foreign exchange adjustments, foreign subsidiary	0	-3	0	-3
	Dividend distributed	0	0	-15,000	-15,000
	Equity at 1 January 2023	50	85,857	20,000	105,907
	Transferred; see distribution of profit/loss	0	-135	0	34,865
	Foreign exchange adjustments, foreign subsidiary	0	4	35.000	35.004
	Dividend distributed	0	0	-20,000	-20,000
	Equity at 31 December 2023	50	85,725	35,000	120,775

Note	DKK'000	Parent Share capital	 Retained earnings	 Proposed dividend	 Total
	Equity at 1 January 2022	50	68.182	15,000	83,232
	Transferred; see distribution of profit/loss	0	1,357	20,000	21,357
	Dividend distributed	0	0	-15,000	-15,000
	Equity at 1 January 2023	50	69,539	20,000	89,590
17	Transferred; see distribution of profit/loss	0	-4,782	35,000	30,281
	Dividend distributed	0	0	-20,000	-20,000
	Equity at 31 December 2023	50	64,757	35,000	99,808

Consolidated financial statements and parent company financial statements 1 January – 31 December

Cash flow statement

Note	DKK'000	Group 2023	Group 2022
	Profit before net financials	42,343	36,506
	Depreciation and amortisation	5,772	5,693
	Other adjustment of non-cash operating items	-322	-769
	Cash generated from operations before changes in working capital	47,793	41,430
18	Changes in working capital	-84,252	-34,005
	Cash generated from operations	-36,459	7,425
	Interest received	1,048	57
	Interest paid	-991	-1,237
	Corporation tax paid	-6,801	-4,806
	Cash flows from operating activities	-43,203	1,439
	Acquisition of property, plant and equipment	-1,699	-2,135
	Disposal of property, plant and equipment	333	209
	Cash flows from investing activities	-1,336	-1,926
	Shareholders:		
	Distributed dividend	-20,000	-15,000
	Cash flows from financing activities	-20,000	-15,000
	Cash flows for the year	-64,540	-15,487
	Cash and cash equivalents, beginning of year	64,540	80,027
	Cash and cash equivalents, year end	0	64,540

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

The company has entered a cash pool agreement in 2023.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies**

The annual report of Lavazza Denmark ApS 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.

Reclassification in comparison figures has been made in the income statement.

Presentation currency

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

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company Lavazza Denmark ApS and subsidiaries controlled by Lavazza Denmark ApS.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over another entity's financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statement items are included 100%in the consolidated financial statements.

Acquisitions and disposals of non-controlling interests that are still controlled are recognised directly in equity as a transaction between shareholders.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Fixed assets acquired in foreign currency are measured at the exchange rate at the transaction date.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

Leases

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

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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

Income from the sale of goods for resale and finished goods, including #, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer, 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.

Cost of sales

Cost of sales include 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.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and property, plant and equipment.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Other operating expenses

Other operating expenses comprise items secondary to the entities' activities, including losses on disposal of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expenses, including from group entities and equity interests, declared dividends from other securities and equity investments, charges in respect of finance leases, realised and unrealised gains and losses on other securities and equity investments, transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

Tax for the year comprises current income tax and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Amortisation is made over the estimated economic life without the determination of a residual value.

Goodwill

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 estimated at 20 years. The amortisation period is fixed on the basis of the expected repayment horizon and is longest for strategically acquired entities with strong market positions and long-term earnings profiles.

Plant, equipment and leasehold improvements

Plant and machinery and fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, wages and salaries as well as borrowing costs relating to specific and general borrowing directly attributable to the construction of the individual asset.

Individual components, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Plant and machinery	4-5 years
Leasehold improvements	5 years

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

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.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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

Equity investments in subsidiaries in the parent company financial statements

Equity investments in subsidiaries are measured at cost in the parent company financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. Negative goodwill is recognised in the income statement.

Impairment of non-current assets

The carrying amount of intangible assets, plant and equipment, leasehold improvements and equity investments in subsidiaries are tested annually for indication of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is indication of impairment. Write-down is made to the lower of the carrying amount and the 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 determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

Proposed dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on taxable income in previous years and tax paid on account.

Deferred tax is measured using the balance sheet 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 non-deductible goodwill and on office premises and other items where temporary differences – apart from acquisitions – arise at the acquisition date 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 assets, including the tax value of tax loss carryforwards, 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 and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Deferred income

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

Liabilities

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Financial liabilities also include the capitalised residual lease commitment in respect of finance leases.

Other liabilities are measured at net realisable value.

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The company is part of a cash pooling arrangement. Changes in the cash pool system are classified as cash flows from operating activities, as the changes largely consist of inflows and outflows from trading with group companies.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are subject to only minor risks of changes in 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.

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 Lavazza Denmark relates to sales in primary Denmark, Baltic and the rest of northern Europa.

3 Events after the balance sheet date

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

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

	DKK'000	Group 2023	Group 2022	Parent 2023	Parent 2022
4	**Fees paid to auditor appointed at the annual general meeting**				
	Total fees to EY	532	473	254	235
	Fee for statutory audit	466	425	188	187
	Tax consultancy	13	14	13	14
	Other assistance	53	34	53	34
		532	473	254	235
5	**Staff costs**				
	Wages/salaries	60,914	55,627	42,326	40,910
	Pensions	6,849	5,541	6,849	5,541
	Other social security costs	1,804	1,607	629	614
		69,566	62,775	49,084	47,065
	Average number of full-time employees	84	81	68	65

Total remuneration to Management: DKK 4,416 (2022: DKK 4,157).

	DKK'000	Group 2023	Group 2022	Parent 2023	Parent 2022
6	**Financial income**				
	Dividends from subsidiaries	0	0	4,110	0
	Other interest income	1,048	57	1,048	57
		1,048	57	5,158	57
7	**Financial expenses**				
	Other interest expenses	46	240	46	240
	Exchange losses	945	997	945	997
		991	1,237	991	1,237
8	**Tax for the year**				
	Current tax for the year	8,422	5,433	8,297	5,345
	Deferred tax adjustment for the year	-887	715	-887	715
		7,535	6,148	7,410	6,060

Consolidated financial statements and parent company financial statements 1 January – 31 December

Notes

9 Intangible assets

DKK'000	Group Goodwill	Parent Goodwill
Cost at 1 January 2023	76,100	62,670
Cost at 31 December 2023	76,100	62,670
Amortisation and impairment losses at 1 January 2023	27,590	22,718
Amortisation	3,805	3,133
Amortisation and impairment losses at 31 December 2023	31,395	25,851
Carrying amount at 31 December 2023	44,705	36,819
Amortised over	20 years	20 years

10 Plant, equipment and leasehold improvements

	Group		
DKK'000	Plant and machinery	Leasehold improvements	Total
Cost at 1 January 2023	10,557	2,969	13,526
Additions	1,669	0	1,669
Disposals	-496	0	-496
Cost at 31 December 2023	11,730	2,969	14,699
Depreciation and impairment losses at 1 January 2023	6,108	2,247	8,355
Depreciation	1,819	118	1,937
Disposals	-268	0	-268
Depreciation and impairment losses at 31 December 2023	7,659	2,363	10,022
Carrying amount at 31 December 2023	4,072	605	4,677
Depreciated over	3-5 years	5 years	

	Parent		
DKK'000	Plant and machinery	Leasehold improvements	Total
Cost at 1 January 2023	10,025	2,162	12,187
Additions	1,669	0	1,699
Disposals	-496	0	-496
Cost at 31 December 2023	11,228	2,162	13,390
Depreciation and impairment losses at 1 January 2023	5,974	2,083	8,057
Depreciation	1,733	17	1,750
Disposals	-268	0	-268
Depreciation and impairment losses at 31 December 2023	7,439	2,100	9,539
Carrying amount at 31 December 2023	3,789	62	3,851
Depreciated over	3-5 years	5 years	

Consolidated financial statements and parent company financial statements 1 January – 31 December

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11 Investments

Name	Interest	Equity DKK'000	Profit DKK'000
Subsidiaries			
Merrild Baltic SIA	100%	32,983	10,675

12 Receivables from group enterprises

The Lavazza Group has entered a cash pooling arrangement with Danske Bank, where Luigi Lavazza S.P.A is the account holder and Lavazza Denmark ApS is a sub-account holder along with the group's other affiliated companies. The terms agreed upon in the cash pool arrangement grant Danske Bank the right to settle draws and deposits with each other, hence it is the net balance of the total cash pool accounts that constitute Luigi Lavazza S.P.A's outstanding account with Danske Bank.

The accounts of Lavazza Denmark ApS in the cash pool arrangement, which are included under receivables from affiliated companies, amounted to a deposit of DKK 146,889 thousand as of December 31, 2023.

13 Share capital

DKK'000	2023	2022
Analysis of the share capital:		
50,000 shares of DKK 1.00 nominal value each	50	50

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

DKK'000	2023	2022	2021	2020	2019
Share capital	50	50	50	50	50

	Group		Parent	
DKK'000	2023	2022	2023	2022
14 Deferred tax				
Deferred tax at 1 January	9,340	8,624	9,340	8,624
Other deferred tax	-887	716	-887	716
Deferred tax at 31 December	8,453	9,340	8,453	9,340

Deferred tax relates to:

Intangible assets	8,100	8,791	8,100	8,791
Property, plant and equipment	679	679	660	679
Trade receivables	-120	-75	-120	-75
Prepayments, net	-187	-55	-187	-55
	8,453	9,340	8,453	9,340

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15 Contractual obligations and contingencies, etc.

Other financial obligations

	Group		Parent	
DKK'000	2023	2022	2023	2022
Rent and lease liabilities	6.842	7,582	5,941	4,775

The group has a rent obligation and has entered operating leases on cars and IT equipment.

Specified as:

Due within 1 year	3,603 DKK
Due after 1 year	3.239 DKK

16 Related parties

Lavazza Denmark ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Luigi Lavazza S.p.A.	Torino, Italy	Holds the majority of the share capital in the Company

Information about consolidated financial statements

Related party	Domicile	Requisitioning of the parent company's consolidated financial statements
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 2023 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, Letvia.

Ownership

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

Name	Domicile
Luigi Lavazza S.p.A.	Torino, Italy

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DKK'000	Parent 2023	Parent 2022
17 Distribution of profit/loss		
Proposed distribution of profit/loss		
Dividend proposed for the year	35,000	20,000
Transferred to equity reserves	-4,782	1,357
	30,218	21,357

DKK'000	Group 2023	Group 2022
18 Changes in working capital		
Changes in inventories	14,781	-23,605
Changes in receivables	-67,372	-26,271
Changes in trade and other payables	-31,662	15,872
	-84,252	-34,005

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Søren Svinding
CFO
On behalf of: Lavazza Denmark ApS
Serial number: 4e10a0c4-a41a-4c03-aa79-8ff0b8cd3cf1
IP: 147.161.xxx.xxx
2024-04-05 13:43:37 UTC

Tom Faurschou
CEO
On behalf of: Lavazza Denmark ApS
Serial number: 21e87f77-a7a3-485c-a648-ea2352be9771
IP: 80.62.xxx.xxx
2024-04-05 14:01:33 UTC

Tom Faurschou
Chairman of the Board
On behalf of: Lavazza Denmark ApS
Serial number: 21e87f77-a7a3-485c-a648-ea2352be9771
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2024-04-05 14:04:40 UTC

Camilla Louise Bitsch
Board of Directors
On behalf of: Lavazza Denmark ApS
Serial number: 442644e0-1333-4d6c-9bc5-f8a90cac2015
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2024-04-07 15:59:35 UTC

Torben Ahle Pedersen
State Authorised Public Accountant
On behalf of: EY Godkendt Revisionspartnerselskab
Serial number: ffd33de7-3ce6-4449-92bb-28378f5e33b7
IP: 2.108.xxx.xxx
2024-04-07 16:26:27 UTC

Søren Smedegaard Hvid
State Authorised Public Accountant
On behalf of: EY Godkendt Revisionspartnerselskab
Serial number: 679f8e4e-cbe2-40c1-8b8a-b3f72863eea1
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Søren Svinding
Chairman
On behalf of: Lavazza Denmark ApS
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